

AR53

MARCH
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1966



Massey-Ferguson Limited • ANNUAL REPORT • 1965

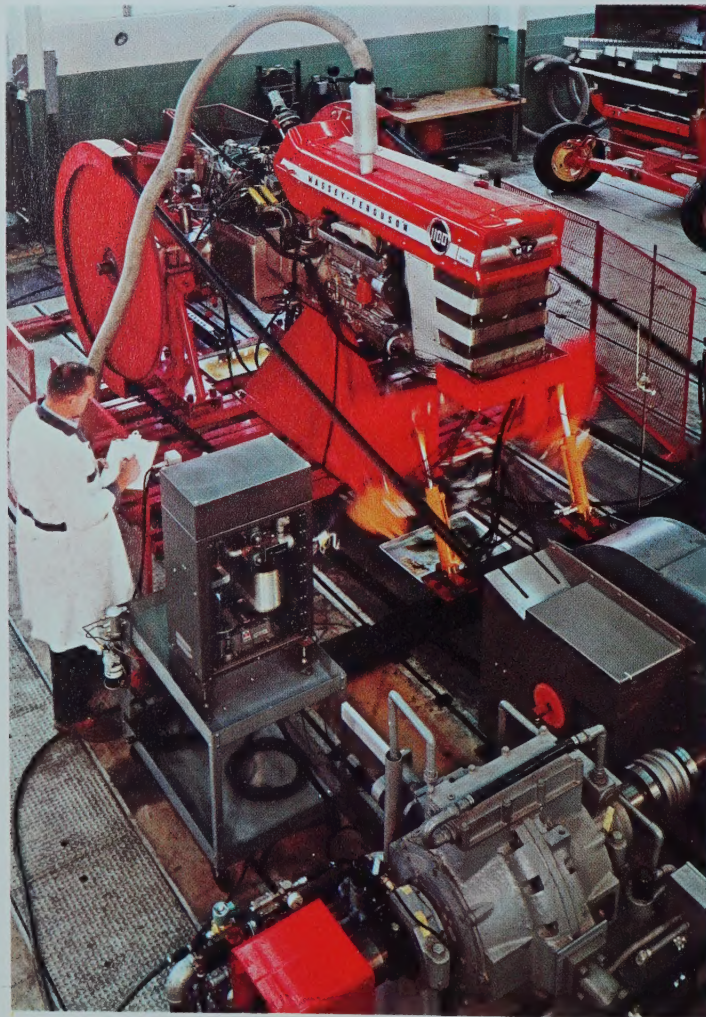


Tractor Plant, Engineering and Quality Control Centers, Detroit.

Photo by Hedrich-Blessing

Quality Control Center, Detroit.

Photo by Lens-Art



Industrial and construction machinery operations, Detroit.



Photo by Blome-Gournoe

Photo by Hedrich-Blessing



- establishment of a new industrial and construction machinery operation in Detroit, Michigan;
- entry into the fast-growing lawn and garden equipment market with a line of special products (suburban tractors, snow blowers and riding mowers);
- introduction of a completely new line of agricultural tractors (one model, the MF 150, achieved the highest score for fuel economy in the 45-year history of such tests conducted by the Nebraska Tractor Test Laboratory);
- entry as a manufacturer into the heavy tractor market (100 horsepower and up);
- expansion into the forage harvesting and farmstead market with the purchase of Badger Northland Inc., Kaukauna, Wisconsin;
- establishment of the industry's largest and most modern dealer-employee service and product training facilities at Indianapolis, Indiana;
- completion of a new Quality Control Center adjacent to its tractor plant in Detroit;
- a total reorganization of its marketing operations in the U.S. to make its marketing management more sensitive and responsive to the rapidly changing product and service needs of its customers.

With the addition of the North American Implement Plant at Des Moines, Massey-Ferguson Inc. will have more than

two-and-a-half million square feet under roof in 41 facilities in the United States.

At present, the company has five plants in Detroit. These are the Tractor Plant, where MF assembles all its agricultural and industrial tractors for the North American market; the Engineering Center, where the company designs, engineers and tests most of its North American product lines; the industrial and construction machinery operation, which is responsible for the engineering, manufacturing and market planning of MF's North American industrial product lines; the North American Quality Control Center for testing all company products to ensure high production quality; the Transmission and Axle Plant where the company makes all its tractor and combine gear components.

At Fowler, California, the company produces western-type tillage implements. At Kaukauna and Algoma, Wisconsin, are the three plants of MF's subsidiary, Badger Northland Inc., which produces farmstead materials handling equipment, field harvesters and the new MF 10 suburban tractor. At Racine, Wisconsin, is MF's North American Parts Operation. This is the computer control point and central warehouse for all MF parts distributed in North America. The center maintains millions of items in some 90,000 separate parts classifications.

Within close proximity to many of the company's major farm equipment dealers is its Service and Product Training

Service and Product Training Center, Indianapolis, Indiana.

Photo by Hedrich-Blessing





Cover Massey-Ferguson Inc.'s newly acquired plant and offices at Des Moines, Iowa. In the background is Gray's Lake and, beyond, the city of a quarter-million population. *Photo by Hedrich-Blessing*

Left The entrance to the executive offices at Des Moines.

NORTH AMERICAN OPERATIONS STRENGTHENS ITS POSITION IN U.S. MARKET

Changes of major proportion and import have been made in recent years by Massey-Ferguson's North American Operations, particularly with a view to strengthening its position in the \$2.3 billion U.S. farm machinery market. The latest and perhaps most far-reaching change, announced last September, is the relocation of Massey-Ferguson Inc.'s executive offices from Detroit to Des Moines, Iowa, in the heart of the corn belt marketing area. Associated with the move is the development of a new farm implement operation which, along with the new offices, will be housed in the recently purchased former Solar Aircraft plant. Thus, both management and productive facilities will be in a far stronger position for MF to take advantage of present and future requirements in the world's largest single farm machinery market.

This move, which affects directly only Massey-Ferguson Inc., the U.S. operating subsidiary, and Massey-Ferguson Industries Limited, the Canadian operating subsidiary, has created some misunderstanding. It should be clearly stated that Massey-Ferguson Limited, the Canadian-based parent company of the world-wide group, will remain at its headquarters in Toronto at 200 University Avenue. Operations in Canada will continue to be carried out by Massey-Ferguson Industries Limited at 915 King Street West, Toronto. However, certain executive functions of the

Canadian operating subsidiary will be consolidated at Des Moines.

Massey-Ferguson's interests in the United States date back to 1910. At that time, the Canadian company (then known as Massey-Harris) purchased controlling interest in the Johnston Harvester Company of Batavia, New York. In 1928, the U.S. company was incorporated following purchase of a small plow manufacturing company in Racine, Wisconsin. But it was not until 1957 that the company initiated an aggressive bid for a stronger position in the American market. Up until this point, the resources of the MF world organization had been largely concentrated on consolidating its position in the key overseas farm equipment markets. Within the past eight years, however, the company has moved up to third place in sales in the U.S. industry. Last year's sales in that country were a record high of \$225.4 million, compared with \$89.5 million in 1957. During the past few years, Massey-Ferguson has undertaken numerous programs to improve its competitive position, both in the U.S. and Canada. These have included:

- a \$13.5 million North American Combine Plant in Brantford, Ontario, Canada (two-thirds of its annual output is for the U.S. market);
- introduction of a new line of grain and corn harvesting equipment (four of these new MF 300 combines placed among the top eight in the U.S. National Corn Picking Contest last year);

MF Inc.'s marketing and manufacturing facilities in the U.S.





Badger Northland plant, Kaukauna, Wisconsin.

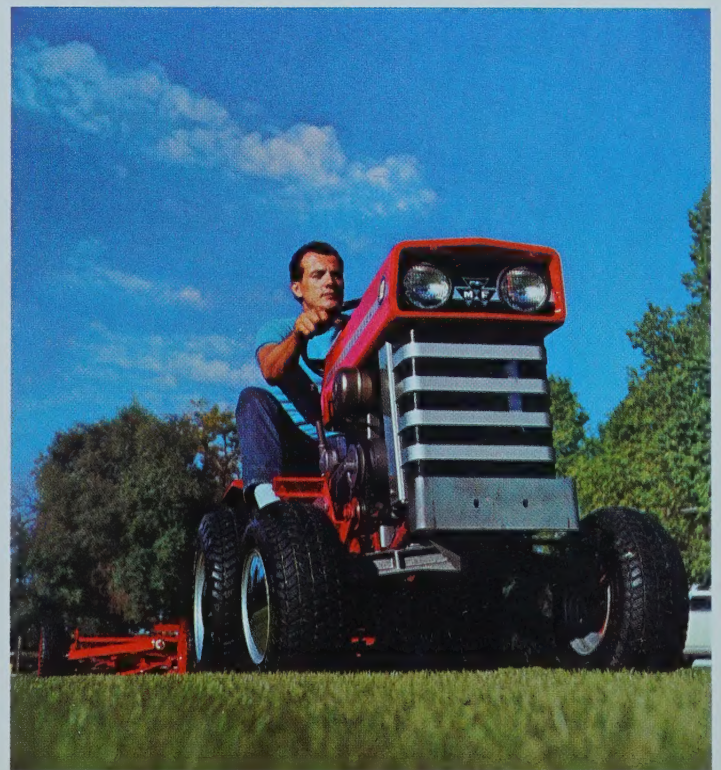
Photo by Hedrich-Blessing

Center at Indianapolis, Indiana, and the Center's product training farm at nearby Fairland. These facilities were established in 1962 to train dealer and company employees in North America in the latest techniques for operating and servicing MF farm and industrial equipment.

Massey-Ferguson has used to good advantage the tariff-free "common market" in farm machinery between the U.S. and Canada which was established in 1944. This complete freedom of trade, with no duties or other imposts, has made it possible for MF to concentrate manufacturing facilities for optimum production. Instead of requiring separate, smaller and thus less efficient plants in both the U.S. and Canada, all tractor output for the North American "common market" is centralized in two plants in Detroit, and, in a reverse manner, all combine production is concentrated in one plant in Brantford, Ontario.

The importance of the U.S.-Canadian market has led Massey-Ferguson to invest over the years more than \$317 million, or about 43 per cent, of its assets in the two countries. Sales in the past five years have risen from \$206 million to \$315 million and represent close to 40 per cent of the company's world-wide business. This upward trend is expected to continue as a result of MF's determination to secure greater market penetration and of the inherent growth in total U.S.-Canadian agricultural machinery sales which are estimated to rise from last year's \$2.7 billion to \$3.4 billion in 1970.

New MF 10 suburban tractor.



CONSOLIDATED FINANCIAL HIGHLIGHTS

1965 **1964** **1963**

OPERATING SUMMARY (MILLIONS OF DOLLARS)

Net sales	\$808.5	\$772.0	\$685.7
Profit before taxes	47.5	60.9	41.8
Net income	40.1	45.0	24.1

FINANCIAL STATUS (MILLIONS OF DOLLARS)

Net current assets	\$274.8	\$265.1	\$250.4
Long term debt	136.2	133.7	133.7
Capital and retained earnings	323.4	290.4	253.5

PER COMMON SHARE

Net income	\$ 2.66	\$ 3.04	\$ 1.68
Dividends paid	1.00	.60	.50
Equity	21.48	19.60	16.81

STATISTICAL DATA

Average number of employees	45,667	42,927	41,089
Number of shareholders	34,884	33,799	40,363
Common shares outstanding (<i>Thousands</i>)	15,059	14,820	13,496

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THE ANNUAL MEETING OF SHAREHOLDERS

will be held in the Canadian Room, Royal York Hotel,
Toronto at 12 o'clock noon on March 3, 1966.



REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

FOR THE YEAR ENDED OCTOBER 31, 1965

Your Directors are pleased to report on the financial results and condition of Massey-Ferguson Limited for the year ended October 31, 1965. Preliminary information on consolidated sales and earnings for the year was made available to shareholders on December 15, 1965.

Before presenting detailed comment on operating results in this report and in the financial review, a summary of significant programs carried out during the year will indicate that your company has substantially extended the development and growth of international operations that has characterized its activities over the past several years.

A major product line change was made during the 1965 fiscal year. In last year's annual report we presented pictorially the new standard basic model range of tractors from 25 to 140 engine horsepower. These tractors were first shown to distributors and dealers just twelve months ago and progressively introduced into all world-wide markets. They have demonstrated outstanding performance, and the major new technical feature—"Pressure Control"—has more than fulfilled expectations.

New production levels were achieved. Your company's position as the leading world-wide tractor manufacturer was extended when the previous year's production rate of about 130,000 units a year was raised in mid-1965 fiscal year to approximately 160,000 units on an annual basis. New sales records were established. Third quarter sales of \$234 million set a record for any quarterly period, which was subsequently surpassed by fourth quarter sales of \$242 million. Consolidated sales exceeded \$800 million for the first time, and sales in the United States, Canada, France and Italy also reached new high levels.

A number of important activities and programs were also undertaken, and others initiated, which will extend your company's capacity for further growth in world-wide markets.

Arrangements were made for new or improved facilities with increased production capacity with respect to factories in Peterborough and Baginton in the United Kingdom; Beauvais and Marquette in France; Sao Paulo in Brazil; and in Des Moines in the United States. Construction of new engineering facilities is underway in Peterborough, and in Paris, and new operational offices

are being constructed in Coventry and Paris, and have been acquired in Des Moines. A product education centre was officially opened in June at Eschwege, Germany.

A major realignment of the North American marketing organization on a regional basis was implemented to provide more economical and effective utilization of marketing personnel and be more readily responsive to changing needs of its customers. In Europe, negotiations were largely completed with Motor Iberica S.A., an important Spanish manufacturer of tractors, trucks and diesel engines, to acquire approximately a 38 per cent interest in an expanded Motor Iberica S.A.

While the 1965 fiscal year was a period of sustained and vigorous activity with satisfactory development of planned projects, it was nevertheless, a difficult twelve month period due to certain environmental factors which severely disrupted planned schedules for manufacturing and distribution. Major adjustments and revisions in these schedules and in logistics were required during the second half of the year to supply market demand which resulted in additional expense and in higher cost of goods sold, and somewhat lower earnings than would otherwise have been achieved on the resulting volume.

Consolidated sales of \$808.5 million represented a 4.7 per cent increase over 1964. Net earnings were \$40.1 million as the company absorbed the introductory costs of the new tractor line; the demands for higher wages made during labour negotiations in the United Kingdom and in North America; the costs of work stoppages in these two areas; and certain extraordinary costs incidental to substantially revised schedules of supply and distribution.

Earnings for the year were equivalent to a 5.0 per cent return on net sales and to a 12.4 per cent return on shareholders' equity. These percentages, while below those of the previous year, represent a significant improvement over all recent years except 1964.

The North American market, from which the company derives 38.9 per cent of its total sales, continues to absorb a significant proportion of the total assets employed. Sales in the United States reached a record level of \$225.4 million, an increase of \$37.1 million or 19.7 per cent over 1964.

To strengthen further the company's operations in the



PRESSURE CONTROL — A SIGNIFICANT TECHNICAL ADVANCE

The 1965 new tractor line incorporating 'Pressure Control' was progressively introduced into world markets during the year and has been most favourably received. Its excellent functional characteristics and the high quality of its performance should enable the company to extend its position of leadership in world-wide tractor manufacturing. The new feature designated 'Pressure Control'—an extension of Ferguson System principles and of hydraulics—has fully demonstrated, through outstanding field performance, the major significance of this technical advance. 'Pressure Control' in non-technical language and in overall effect—enables a farmer to use the same tractor to do a wider range of jobs under a wider range of conditions than was previously possible. In the picture above the application of 'Pressure Control' and the resultant effects of weight transference in increasing good wheel grip are being demonstrated in a working model at an agricultural fair and corn picking contest near Indianapolis. Similar demonstrations at exhibitions and fairs in Europe and elsewhere have proved most effective.

United States' market, plans were announced late in the year to establish the executive offices for operations in North America in Des Moines, Iowa. It is to be emphasized that the world headquarters of Massey-Ferguson Limited, of course, will remain in Toronto at 200 University Avenue. Plans are also underway to move certain manufacturing operations from Woodstock, Ontario to Des Moines, Iowa. It is anticipated that the United States corn belt, the largest of all farm machinery markets, will provide opportunities for increased sales and profitability. During the year the company completed negotiations for the purchase of Badger Northland Inc., a farm equipment manufacturer located in Kaukauna, Wisconsin, U.S.A. This company produces forage harvesting and farm material handling equipment.

Over the past five years sales in the United States have increased 55 per cent, and the operations of the American subsidiary company have grown very substantially in terms of facilities for manufacturing, engineering, parts distribution, quality control and field testing. For the information of shareholders a special report on the facilities and operational aspects of Massey-Ferguson in the United States appears on the inside pages of the front cover of this report.

In Canada, as in the United States, the farm machinery market continued buoyant, and a new sales record of \$89.2 million was achieved, an increase of 9.3 per cent over 1964, and almost 70 per cent over the last five years.

Sales in Europe of \$318.4 million, representing 39.4 per cent of consolidated sales, were almost unchanged from those of the previous year but would have been higher had there been full availability during 1965. It should be noted that the figures for net sales by territories on page 27 represent sales of all products within these territories. In addition to farm machinery, the appropriate sales of diesel engines and of industrial and construction equipment are included. Sales of office equipment only occur in Canada. In European countries the only significant difference in interpreting the figures occurs in the United Kingdom where total sales declined \$4.8 million, which resulted from a modest increase in farm machinery sales in that country, (despite production interruptions), offset by a somewhat larger decline in diesel engine sales.

Early in the year the company acquired complete control of a company manufacturing and marketing farmstead equipment in the United Kingdom and established the new activity as Massey-Ferguson (Farm Services) Limited.

In France, industry sales of tractors were somewhat below those in 1964 but the French company well maintained its market position. Sales in Germany also continued at satisfactory levels despite a continuing strongly competitive environment.

Sales in Australasia, after reaching record levels in 1964, declined under the impact of one of the severest droughts in Australian history in the latter part of the year, whereas earlier market estimates under more normal conditions had indicated substantially higher demand. Drought in South Africa, although somewhat less severe, had a similar effect on sales.

During the year the efforts of the Brazilian federal government to bring about a more stable economic and political situation had an initial adverse commercial impact. The success of its efforts, however, can better be measured by the inflow of foreign capital during the year and there would seem to be good prospects for the continued success of their programs. The company has recently concluded negotiations for the purchase of a manufacturing facility for tractor production in Sao Paulo. This factory will replace the present leased tractor factory which had many serious disadvantages, and will be closer to the company's diesel engine plant in the same city.

World-wide sales, to customers other than Massey-Ferguson, of Perkins diesel engines, parts and components of \$94.9 million, represented a small increase over last year. Sales declined in the United Kingdom but increased substantially in the United States. Toward the end of the year the Perkins group introduced into their product line, for the first time, a V8 diesel engine which is expected to find wide acceptance. A new diesel engine concept known as 'differential diesel engine' has received much favourable attention from diesel engine users and will undergo further large mileage tests during 1966 under a variety of conditions.

Early in the year negotiations were concluded for the issue of \$22 million of promissory notes of Massey-Ferguson

Industries Limited and simultaneously the bonds and debentures of Massey-Ferguson Limited were called for redemption.

Since the end of the year one of the consolidated subsidiaries obtained \$11.9 million of its medium term money from a consortium of Dutch banks, and Massey-Ferguson Finance Company borrowed U.S.\$25 million 5.25 per cent long term funds maturing in 1985.

In 1965 cash flow reached \$66.1 million compared with \$68.0 million and \$44.5 million in 1964 and 1963 respectively. Capital expenditures of \$47.0 million were necessary to support the expanded sales volume and to provide adequate facilities to meet anticipated future increases in product demand. Demand on funds for capital expenditure will rise in 1966 and at October 31, 1965 proposals had been approved for capital spending in 1966 of approximately \$75 million. The major capital expenditure programs approved by your Board relate to the acquisition of an interest in the truck, tractor and diesel engine complex in Spain, referred to earlier in this report; to the establishment of the new activities in Des Moines, Iowa; and to the modernization and expansion of facilities in England, France and Brazil. Special reference is made to these latter developments on the back cover of this report.

In the notes to the consolidated financial statements, reference is made to an action brought against the company and certain of its United States subsidiaries. In late December 1965 this action was resolved out of court.

The early part of 1965 was marked by labour problems which had a material effect on the year's results. Of these, the most significant occurred in the United Kingdom, where political and economic conditions gave rise to generally unsettled industrial relations. Coincident with the introduction of the new tractor line, the company's operations in the United Kingdom suffered a series of local claims, unofficial strikes and restrictions on production. After several weeks of unofficial strike and negotiations, the company and the clerical unions reached agreement on a national settlement that resolved outstanding salary issues in all United Kingdom establishments. In the meantime, settlement of claims at the national level were made with manual employees and draftsmen. The net effect of these

interruptions was the loss of six weeks production time.

Since the strike, progress has been made towards stabilizing industrial relations in our United Kingdom operations. In Perkins, a term agreement covering manual workers has been signed with a moratorium on all local claims for three years. Following this, a similar three-year agreement was made with hourly rated employees in Manchester and in Central Parts Operations, Urmston, and the clerical unions have entered formal agreement accepting the company's salary policy and practice which removed a long-standing issue from conflict.

In North American Operations, major collective agreements were renegotiated for a three-year term in both the United States and Canada. After a five-day strike in Detroit, a satisfactory settlement was reached in December 1964 incorporating major improvements bearing on the efficiency of operations. In Canada, against a background of strikes in the automobile industry on the issue of parity with U.S. wage rates, a three-year contract was signed after a work stoppage which lasted for nine days. In contrast with the automotive settlements, the agreement in Canada did not accept, in principle, a move towards U.S. wage parity. The international union's declared drive for such parity raises questions about the future of Canadian production facilities in the industry in relation to competitors located within the concentrated U.S. markets.

Outside North America and the United Kingdom, labour relations were generally stable. In Australia, in the face of an acute labour shortage and a rash of strikes throughout the economy, peaceful relations were maintained under the existing agreement. In spite of over-full employment and inflationary pressures in France, Italy and Germany, operations in these countries were not faced with disruptive labour problems during the year. A renewed agreement at the Beauvais tractor plant was signed in November 1964. In a climate of political agitation by the trade unions, industrial relations in the Italian Operations were satisfactory and production schedules were maintained. The industry-wide agreement in Italy expired in October and negotiations at the national level are currently under way. Labour costs continued to rise in Germany through the national industry-wide bargaining, but the company was



Photo by J. D. Barnell

IN WEST GERMANY, about 80 per cent of gross farm income comes from livestock and livestock products. It is not surprising, therefore, that forage harvesting — the job of chopping grass and other crops for immediate feeding to cattle or for silo storage — is done by machines on most German farms. One of the several advantages of bringing the food to the animals, rather than turning them out to pasture, is the reduction in forage loss. Cattle grazing freely in a field are extremely wasteful and ruinous; they will leave or spoil up to one half of the crop which could be harvested mechanically. The MF forage harvester, trailer and tractor (above) are cutting and gathering a grass crop near the village of Warnfried in central Germany. Massey-Ferguson's German company, with headquarters in Kassel, Hesse, had total sales of \$46.2 million in 1965, an increase of \$26 million in the past five years. Its plant complex 25 miles away at Eschwege makes self-propelled combines, forage harvesters and a number of other implements, as well as most of the roller chain used by MF world-wide. This past year a new school was opened at Eschwege, completely equipped and staffed to provide product training and to instruct company and dealer personnel and customers in the operation, maintenance and repair of MF machinery.



Photo by J. D. Barnell

HAY HARVESTING machinery accounts for \$35 million of Massey-Ferguson's sales, and balers, such as this MF 15 pictured at work in the south of France, rank only behind tractors and combines in total value of farm equipment sold by the company. MF balers are made in Toronto, Canada; Marquette, France; and Eschwege, Germany. They are, basically, packaging machines used to simplify handling and storage of dry hay and straw. Balers collect, compress and tie the crop into bales and then drop the bundles in the field, or elevate or toss them into a trailer. Such packaging not only speeds handling and reduces labour costs, but it also cuts waste and crop damage due to weathering.

free from strikes or disturbance. Social and political problems in South Africa and Brazil did not impinge on labour relations in our operations in these countries.

Following the death of Colonel W. Eric Phillips, Chairman of the Board and Chief Executive Officer, the Board appointed Albert A. Thornbrough as Chief Executive Officer. In March 1965 the Board was pleased to announce the appointment of A. Bruce Matthews as a Director of the company and a member of the Executive Committee of the Board. Mr. Matthews is Chairman of the Board of Excelsior Life Insurance Company, Toronto and a Vice President and Director of Argus Corporation.

In April 1965 H. G. Kettle, Corporate Director Public Relations was appointed a Vice President, and in September John E. Mitchell joined corporate management as a Vice President, with a background of broad experience in industrial and construction equipment. He will progressively assume world-wide responsibilities for this increasingly important product group in our operations. In June 1965, Eric W. Young was appointed Chairman of Massey-Ferguson Holdings Limited, London, England.

It is with deep sorrow that we record the death of Walter Lattman, a member of the company for 37 years, a Vice President for 23 years, with a distinguished record in many senior positions in Canada and in Europe, and a member

of the Board of Directors since 1956.

With regard to the outlook for 1966, markets in North America continue to be strong, and would appear to be satisfactory in almost all other areas except Australia and South Africa where the effects of drought will continue to restrain demand for the near future. We expect to sustain, through 1966, the higher production levels reached in the latter part of the 1965 fiscal year. Accordingly we anticipate increases in sales and net earnings after a more normal provision for income taxes, and a resumption of the growth trends of the past few years.

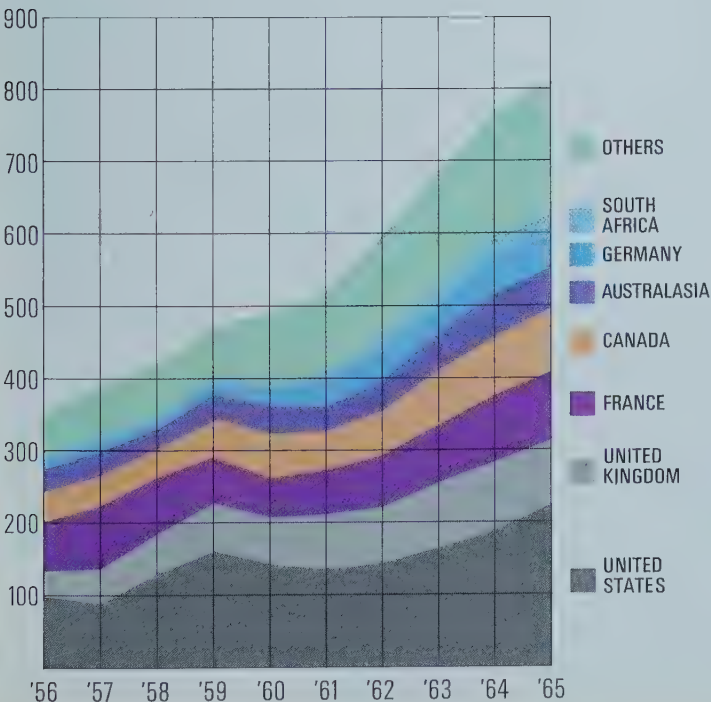
All of the activities recorded and satisfactorily achieved during the past year could only have been accomplished with the utmost cooperation of our employees, distributors, dealers, and of our associates in Brazil, India and South Africa. To each we extend our sincere appreciation.

Albert A. Thornbrough

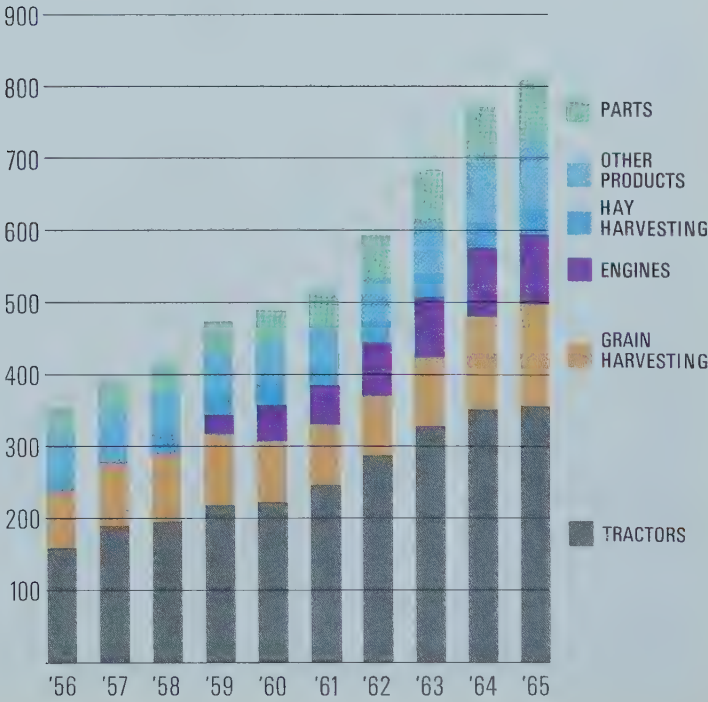
Toronto, January 28, 1966

President and
Chief Executive Officer

NET SALES BY MARKETS
(MILLIONS OF DOLLARS)



NET SALES BY PRODUCTS
(MILLIONS OF DOLLARS)



INDUSTRIAL AND CONSTRUCTION MACHINERY SALES INCREASE 11 PER CENT TO \$59 MILLION

Throughout many parts of the world the real significance of mechanization in the broad areas of material handling is being recognized to a much greater extent. Analysis repeatedly shows that from 30 to as high as 70 per cent of the total cost of a finished manufactured article or of the construction of a home, building or facility is directly related to material handling functions. Such costs moreover add nothing of intrinsic value to the end product.

Previous reports have noted the increasing attention given to this type of mechanization and to the growth opportunities for industrial and construction machinery in all markets. As noted in the Report of the Directors, world-wide responsibilities for these activities will be progressively assigned to a senior executive of corporate management during 1966. MF sales in 1965 of this product group reached almost \$59 million, an increase of 11 per cent over 1964, and an increase of \$23 million over the last three years. Further growth is expected during 1966.

MF 302 industrial tractor and MF 320 backhoe at Bischhausen, Germany.



Italian-made MF 244 crawler
on highway project near Venice.

Broadly speaking these products are applied in material handling operations, which are primarily a part of construction and forestry work; and in excavation. The basic products are crawler tractors; 2-wheel-drive tractors; 4-wheel-drive tractors; loaders and backhoes (often called 'diggers' outside North America); and fork lift trucks. In 1965 the following products were introduced into various markets and will be extended to world markets during 1966: heavier duty 2-wheel-drive tractors; bigger capacity loaders and backhoes; 4-wheel-drive tractor shovels; and heavy duty rough terrain fork lift trucks and related material handling attachments.

The largest MF markets for industrial and construction machinery are North America, United Kingdom and the Export group of territories. The products are manufactured in plants in the United States, United Kingdom and in Italy, with engines supplied from the Perkins Group facilities.

OFFICE FURNITURE SALES HAVE MORE THAN DOUBLED IN FIVE YEARS

Sunshine Office Equipment Limited and Art Woodwork Limited are names that may be unfamiliar to many MF shareholders, but, in fact, these wholly owned subsidiaries constitute the largest suppliers of office furniture in Canada. SUNAR, a name derived from the two manufacturing companies, is the marketing organization which sells the complete line of steel office furniture made by Sunshine at Waterloo, Ontario, and of wood office furniture produced by Art Woodwork at Montreal. Shown below is the Chippendale suite, the top in the range of Art Woodwork's executive furniture.

MF entered the Canadian furniture business as a corollary to an acquisition in Australia. Sunshine was originally a subsidiary of H. V. McKay Massey-Harris Proprietary Limited of Australia; thus when MF purchased the latter company in 1955, it inherited the Sunshine operations. Until 1961, Sunshine made a highly varied range of metal products, including bicycles, baby carriages and stoves.

These items have all been discarded in favour of office furnishings—chairs, desks, filing cabinets—together with such volume products as shelving and lockers. Sunshine purchased the assets of Art Woodwork in 1964 with the result that the SUNAR group is now one of the few Canadian companies able to offer a complete range of office furniture in either wood or steel.

The decision to concentrate on office furniture has proved profitable. Sales of these MF subsidiaries have increased 160 per cent in the past five years, and earnings have more than kept pace. Much of this growth can be attributed to planning and tooling up in anticipation of the boom in the Canadian office furniture market. SUNAR's growth in the immediate future is expected to be considerable, although perhaps not quite as rapid as that of the past few years. The domestic market appears to be growing at a very healthy rate and exports offer an area for substantial expansion.

The Chippendale executive suite sold by SUNAR.





Photo by George Hunter

GRAIN HARVESTING MACHINERY SALES INCREASED 11 PER CENT IN 1965

MF's net sales of grain harvesting machinery — principally combines, corn (maize) heads and swathers — reached \$142.2 million in 1965, compared with \$128.3 million in 1964. The major share of this 11 per cent increase was achieved by North American Operations whose sales were up \$8 million. Gains were also accomplished by operating units in France, Germany and the United Kingdom. However, sales were adversely affected in Australia, the fifth country in which MF has a combine manufacturing plant, as a result of the continued severe drought conditions. Harvesting wheat in the broad plains of western Canada and northern United States varies from the more common practice of a once-over sweep with a combine. Instead, the wheat is first cut and left on the stubble in windrows to dry, and then days or even weeks later, when conditions are favourable, it is picked up and threshed by combines. Farmers here and in parts of South Africa find this system an insurance against bad weather and uneven ripening, for once the wheat is cut it suffers less damage from weathering or storms. The combines pictured above in Saskatchewan are working a wheat crop which, because of a prolonged wet spell, could have been a total loss had the two-step windrowing method not been followed.

Massey-Ferguson Limited

STATEMENT OF CONSOLIDATED INCOME

Year ended October 31, 1965 (with comparative figures for 1964)

	<u>1965</u>	<u>1964</u>
SALES AND OTHER INCOME:		
Net sales	\$808,494,623	\$772,034,339
Interest and finance charges earned, etc.	14,049,274	10,520,101
Profit on disposal of capital assets	371,526	330,472
TOTAL SALES AND OTHER INCOME	<u>822,915,423</u>	<u>782,884,912</u>
Deduct:		
Cost of goods sold	630,736,484	589,997,115
Marketing, general and administrative expenses	101,435,100	93,083,501
Engineering expenses	19,141,200	17,352,852
Interest on long term debt	8,718,560	7,120,738
Interest on bank and other short term debt	15,429,960	11,545,995
Exchange adjustments	(992,294)	1,893,912
Minority interest	899,061	1,025,399
	<u>775,368,071</u>	<u>722,019,512</u>
PROFIT BEFORE INCOME TAXES	47,547,352	60,865,400
Income taxes (Note 6)	7,480,341	15,849,417
NET INCOME FOR THE YEAR	<u>\$ 40,067,011</u>	<u>\$ 45,015,983</u>

Depreciation, and amortization of production tooling included above amounted to \$25,990,424 in 1965 and \$23,037,582 in 1964.

Remuneration paid to the company's directors, including directors holding salaried employment, totalled \$814,282 in 1965.

(See accompanying notes to financial statements)



Massey-Ferguson

(INCORPORATED UNDER

CONSOLIDATED

October 31, 1965 (with compara

ASSETS

	1965	1964
CURRENT ASSETS:		
Cash	\$ 8,988,952	\$ 19,212,971
Receivables (Notes 2 and 3)	245,648,715	203,458,755
Inventories, valued at the lower of cost or market —		
Raw materials and work in process	125,800,677	91,893,812
Finished goods	159,120,797	126,412,014
	284,921,474	218,305,826
Prepaid expenses, etc.	7,471,799	7,958,252
TOTAL CURRENT ASSETS	547,030,940	448,935,804
INVESTMENTS (shares and advances):		
Wholly owned finance companies, at equity value (Note 1)	21,488,743	22,459,454
Associated companies, at cost	4,865,482	4,953,478
	26,354,225	27,412,932
FIXED ASSETS:		
Land	6,814,651	5,991,552
Buildings	88,871,726	76,287,928
Machinery and equipment	190,214,295	171,265,348
Production tooling	27,279,374	22,562,721
Total fixed assets, at cost	313,180,046	276,107,549
Less accumulated depreciation and amortization	153,066,004	135,317,405
	160,114,042	140,790,144
OTHER ASSETS AND DEFERRED CHARGES	8,085,381	4,278,267

On behalf of the Board:

E. P. Taylor, Director

Albert A. Thornbrough, Director

\$741,584,588

\$621,417,147

son Limited

(INCORPORATED UNDER THE LAWS OF CANADA)

BALANCE SHEET

(figures at October 31, 1964)



LIABILITIES AND SHAREHOLDERS' EQUITY

	1965	1964
CURRENT LIABILITIES:		
Bank loans and overdrafts	\$ 85,390,373	\$ 21,774,669
Short term notes payable	15,449,128	2,188,420
Accounts payable and accrued charges (Note 3)	141,075,818	129,367,261
Income, sales and other taxes payable	16,742,933	14,149,965
Dividends payable	3,764,756	2,225,000
Advance payments from customers	9,768,585	14,158,247
TOTAL CURRENT LIABILITIES	<u>272,191,593</u>	<u>183,863,562</u>
DEFERRED INCOME TAXES (Note 6)	<u>1,476,860</u>	<u>5,179,620</u>
LONG TERM DEBT:		
Bonds, debentures, notes and loans (Note 7)	136,216,214	133,698,533
Less instalments maturing within one year, included with accounts payable and accrued charges	<u>3,062,454</u>	<u>3,511,113</u>
	<u>133,153,760</u>	<u>130,187,420</u>
MINORITY INTEREST IN SUBSIDIARIES	<u>11,325,570</u>	<u>11,764,146</u>
SHAREHOLDERS' EQUITY:		
Share capital (Note 4)	103,559,481	97,127,811
Retained earnings (Note 8)	<u>219,877,324</u>	<u>193,294,588</u>
	<u>323,436,805</u>	<u>290,422,399</u>
	<u>\$741,584,588</u>	<u>\$621,417,147</u>

Massey-Ferguson Limited

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

Year ended October 31, 1965 (with comparative figures for 1964)

	<u>1965</u>	<u>1964</u>
Balance at beginning of year	\$193,294,588	\$157,117,872
Add:		
Net income for the year	40,067,011	45,015,983
	<u>233,361,599</u>	<u>202,133,855</u>
Deduct:		
Dividends on common shares	13,484,275	8,142,338
Dividends on preferred shares	-	696,929
	<u>13,484,275</u>	<u>8,839,267</u>
Balance at end of year	<u>\$219,877,324</u>	<u>\$193,294,588</u>

(See accompanying notes to financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 31, 1965

1. BASIS OF CONSOLIDATION AND EXCHANGE TRANSLATION

The accompanying financial statements consolidate the accounts of all subsidiary companies with the exception of the two wholly owned finance companies in North America, a combined statement of assets and liabilities of which appears on page 20. The investment in the finance companies is carried in the consolidated balance sheet at their underlying equity value; their earnings have been taken up in the accompanying statement of consolidated income.

The statements of subsidiary companies outside Canada have been translated into Canadian dollars as follows: current assets, current liabilities and long term debt at exchange rates prevailing at October 31; investments, fixed assets, and depreciation provisions on the basis of rates

prevailing at date of acquisition; income and expenses (other than depreciation provisions) at average exchange rates during the period.

2. RECEIVABLES

Receivables are shown net of the following provisions —

	<u>1965</u>	<u>1964</u>
Returns and allowances	\$12,670,177	\$14,123,759
Unearned interest	1,090,884	924,321
Total	<u>\$13,761,061</u>	<u>\$15,048,080</u>

Approximately \$36,000,000 or 14% of the 1965 notes and accounts receivable mature beyond one year.

3. CURRENT ACCOUNT BALANCES WITH UNCONSOLIDATED SUBSIDIARIES

Included in receivables are the following amounts due from the North American finance companies—1965—\$681,430; 1964—\$3,877,031. Accounts payable and accrued charges in 1965 include an amount of \$1,641,994 due to Massey-Ferguson Finance Company of Canada Limited.

4. SHARE CAPITAL, STOCK OPTIONS AND RESERVATION OF SHARES

(a) The authorized share capital at October 31, 1965 consisted of 20,000,000 common shares without nominal or par value.

(b) Changes in common share capital during the year:

	Number of shares	Dollars
Outstanding October 31, 1964.....	14,820,038	\$ 97,127,811
Shares issued under employee options at \$18.50 and \$20.81 per share.....	87,680	1,625,545
Shares issued as consideration for the purchase of the assets of Badger Northland Inc. (a United States farm equipment manufacturing company).....	151,307	4,452,965
Outstanding October 31, 1965.....	15,059,025	103,206,321
Add shares remaining to be issued in 1968 in connection with the Badger Northland purchase (subject to completion of certain warranties).....	12,000	353,160
	<u>15,071,025</u>	<u>\$103,559,481</u>

(c) Employee options were outstanding at October 31, 1965 with respect to an additional 133,220 common shares exercisable by various dates up to 1971 as follows: 122,220 shares at \$18.50 and 11,000 shares at \$30.75; of the options outstanding 72,000 were for directors and officers. A further 233,800 unissued common shares are reserved for possible future employee options.

5. CONTINGENT LIABILITIES, COMMITMENTS, ETC.

(a) Contingent liabilities: Bills under discount—\$43,000,-000; Guarantees of short term notes payable by North American finance companies — \$41,078,125.

(b) Under the loan agreement relating to the subordinated notes of Massey-Ferguson Finance Corporation the company has agreed that it will maintain assets in that company in certain specified relationships with that company's indebtedness.

(c) Capital expenditure commitments outstanding at October 31, 1965 (including an agreement to acquire a minority interest in Motor Iberica S.A., a Spanish truck, diesel and farm and light industrial equipment manufacturer) totalled approximately \$34,000,000.

(d) Pension costs (including payments to trustees on behalf of employees covered by trustee pension plans) are charged against income in the year of payment. Past service costs in most trustee plans are being funded or amortized over periods not exceeding thirty years. The total unfunded past service liability for all trustee plans in effect at October 31, 1965 is estimated at approximately \$38,000,000.

(e) The company and certain of its United States subsidiaries have been named defendants in an action brought by third parties charging violation of United States anti-trust laws and claiming triple damages in the amount of approximately \$2,900,000 (Canadian funds). In the opinion of United States counsel for the companies, the action can be successfully defended.

6. INCOME TAXES

Certain subsidiary companies claim capital allowances for income tax purposes in excess of the depreciation provisions recorded in the accounts. Following generally accepted accounting practices the income tax reductions applicable to such extra allowances are not reflected in income but are credited to "Deferred Income Taxes" and are brought into income in subsequent years when total allowances available for tax purposes are less than the depreciation provisions recorded in the accounts.

Income taxes for the years 1965 and 1964 reflect amounts of approximately \$10,800,000 and \$11,600,000 respectively relating to tax reductions resulting from the carry-forward of prior years' losses in certain companies and the credits resulting from investment allowances and organizational and other changes in certain companies.

7. LONG TERM DEBT

(Repayable in currency of country indicated)

	October 31, 1965	October 31, 1964
Massey-Ferguson Limited (Canada):		
4½% Promissory notes maturing 1966 (repayable in U.S. currency)	\$ 5,375,000	
First mortgage sinking fund 3% bonds Series "A"		\$ 4,518,000
3¾%-5% Sinking fund debentures		23,766,000
Massey-Ferguson Industries Limited (Canada):		
5½% Secured promissory notes maturing 1969-84	22,000,000	
Massey-Ferguson Inc. (U.S.A.):		
5¼% Promissory notes maturing 1966-82	37,625,000	37,625,000
5½% Subordinated notes maturing 1971-84	27,993,000	26,875,000
Massey-Ferguson Holdings Limited (United Kingdom):		
7½% Bank loans maturing 1966-69 (interest charged at 1½% above the Bank of England rediscount rate with the provision that the minimum interest rate shall not be less than 5½%)	27,126,000	26,946,000
Massey-Ferguson S.A. (France):		
6½%-7% Mortgage loans maturing 1966-75	4,832,235	5,266,950
Massey-Ferguson G.m.b.H. (Germany):		
2½%-3½% Mortgage loans maturing 1966-97	3,743,811	444,667
2½%-7% Loans maturing 1966-74	465,468	510,133
Massey-Ferguson (Australia) Limited:		
5¼% First mortgage debenture stock maturing 1970	6,005,000	5,962,500
Massey-Ferguson (South Africa) Limited:		
7¼% Loans maturing 1967	300,200	746,000
7% Non-convertible debentures maturing 1967-81	750,500	453,717
7% Convertible debentures		584,566
	<u>\$136,216,214</u>	<u>\$133,698,533</u>

On November 15, 1965 one of the company's wholly owned subsidiaries obtained a 6½% loan of Netherlands guilders 40,000,000 (Canadian \$11,950,000) maturing 1967-70.

8. DIVIDEND RESTRICTIONS

The loan agreements of certain subsidiary companies contain restrictions on the payment of dividends. Under the most restrictive of these approximately \$55,000,000 of consolidated retained earnings is not available for the payment of dividends to shareholders. Of the remainder,

approximately \$96,000,000 represents the unrestricted portion of profits of various subsidiaries outside North America which have not been remitted to Canada. Transfers of earnings from some of these subsidiary companies are subject to the approval of exchange control authorities, but permission to pay dividends is normally obtainable. Dividend payments from a number of subsidiaries are subject to withholding taxes but since the amount of earnings which will be remitted in the future and the withholding tax rates which will be applicable are not known, such taxes are reflected in consolidated earnings only at the time of actual dividend remittance.

Clarkson, Gordon & Co.
Chartered Accountants
Toronto,
CANADA

To the Shareholders of
Massey-Ferguson Limited:

We have examined the consolidated balance sheet of Massey-Ferguson Limited and its consolidated subsidiaries as at October 31, 1965, and the statements of consolidated income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statements of consolidated income and retained earnings present fairly the financial position of the companies as at October 31, 1965 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Toronto, Canada,
December 10, 1965.

Chartered Accountants.



Photo by J. D. Barnell

UNIQUE VERSATILITY of the MF tractor, achieved by three-point linkage, power take-off, Multi-Power, and a hydraulic system encompassing draft, position and response control and the new 'Pressure Control', make it the 'right' machine for scores of uses—some mundane, some as exotic as harvesting lavender near Grasse, the perfume centre of France. The harvesting machine is attached to the rear of the tractor and is pushed by the tractor operating in reverse, using up to four speeds. The lavender is cut by a cutting bar and is left in windrows or tied into bundles.

Massey-Ferguson Finance Company of Canada Limited

Massey-Ferguson Finance Corporation

COMBINED STATEMENT OF ASSETS AND LIABILITIES

October 31, 1965 (with comparative figures at October 31, 1964)

ASSETS	1965	1964
Cash	\$ 326,918	\$ 32,214
Retail notes receivable (Note 2)	148,953,376	119,706,985
Current account receivable from Massey-Ferguson Industries Limited	1,641,994	
Prepaid expenses	2,308,845	1,342,235
	<u>\$153,231,133</u>	<u>\$121,081,434</u>
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Short term notes payable — Banks	\$ 59,380,000	\$ 52,823,750
— Others	41,078,125	39,151,254
Accrued charges	720,754	610,142
Income taxes	3,382,081	2,159,803
Current accounts payable — Massey-Ferguson Inc.	681,430	2,391,253
— Massey-Ferguson Industries Limited		1,485,778
	<u>105,242,390</u>	<u>98,621,980</u>
Long term debt (Note 3)	<u>26,500,000</u>	
Equity of Massey-Ferguson Limited and its subsidiaries:		
Interest bearing notes payable	5,000,000	8,225,000
Share capital	10,893,100	10,893,100
	<u>15,893,100</u>	<u>19,118,100</u>
Retained earnings	5,595,643	3,341,354
	<u>21,488,743</u>	<u>22,459,454</u>
	<u>\$153,231,133</u>	<u>\$121,081,434</u>

Notes:

1. The above statement combines the accounts of Massey-Ferguson Finance Company of Canada Limited and Massey-Ferguson Finance Corporation (U.S.A.). The assets and liabilities of the United States company are included on the basis of current exchange rates, and its share capital on the basis of rates prevailing at date of issue. While the books of both companies are maintained, and their tax returns are filed, on a cash receipt and disbursement method, the above combined statement of assets and liabilities incorporates adjustments to reflect the financial position of the companies on an accrual basis of accounting.

2. Approximately \$97,000,000 or 57% of the notes receivable mature beyond one year. Receivables are shown net of the following provisions: Unearned interest 1965—\$20,315,784; 1964—\$13,101,276; Allowance for doubtful accounts 1965—\$1,764,725; 1964—\$1,955,250.

3. Long term debt:

Massey-Ferguson Finance Company of Canada Limited	
5¼% Promissory Note maturing 1966	\$ 5,000,000
Massey-Ferguson Finance Corporation (repayable in U.S. currency)	
4½%—5% Promissory Notes maturing 1968 (Interest rates subject to adjustments in U.S. bank prime rate after October 31, 1965)	10,750,000
5½% Subordinated Notes maturing 1971-80	10,750,000
	<u>\$26,500,000</u>

Massey-Ferguson Finance Corporation is currently negotiating a further long term senior debt issue in the amount of U.S. \$25,000,000.

4. Massey-Ferguson Finance Corporation is one of the defendants in the action referred to in note 5(e) to the consolidated financial statements of Massey-Ferguson Limited.

AUDITORS' REPORT

To the Shareholders of
Massey-Ferguson Limited

We have examined the combined statement of assets and liabilities of Massey-Ferguson Finance Company of Canada Limited and Massey-Ferguson Finance Corporation as at October 31, 1965. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying statement presents fairly the combined assets and liabilities of Massey-Ferguson Finance Company of Canada Limited and Massey-Ferguson Finance Corporation as at October 31, 1965 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
December 10, 1965.

Clarkson, Gordon & Co.
Chartered Accountants.



Top Rice, hand cut, is set out to dry in a paddy near Seville, Spain. Two cuts of the stalk are required in this harvesting method. The bottom part of the stalks are chopped off and piled in a clump and the rice heads are placed on top.

Centre Hand threshing, common throughout the world, is laborious and inefficient. Here in the Philippines, workers bundle rice heads between two sticks, connected by string, and beat out the grain against a corrugated metal stand.

Bottom In Brazil, threshers hold the rice stalks and hit the heads against a table. Drying and winnowing is usually done later at the farmstead.

Right One self-propelled combine, with a driver and two helpers to cart away the grain, will do the work of 250 hand labourers. This new tracked combine operating in France is the largest of such MF machines in use throughout the world.

INCREASED RICE PRODUCTION IS GOAL OF UNITED NATIONS PROJECT

The year 1966 has been designated by the United Nations Food and Agriculture Organization (FAO) as International Rice Year with the aim of focussing world-wide attention on the vital need to increase production of this grain which provides subsistence, and barely that, for about one half of the world's fast-rising population. Massey-Ferguson is taking an active part in this important program, as it is in the Freedom from Hunger Campaign and as it has in other FAO projects dating back almost 20 years.

Rice is a close second to wheat as the world's largest single grain crop. Its yield per acre is considerably higher and, unlike other grains, it can be grown in all tropical and most temperate zones. Brazil, the United States, Italy, France, Spain, Australia, Egypt and South Africa all grow rice, but 90 per cent of the total 250-million-ton crop is raised in Asia, largely in India, Red China, Pakistan and Indonesia. It is a grim paradox that where the need for rice is greatest, the yield per acre is lowest. The reason for low yields is due principally to poor growing practices — poor seed, antiquated cultivation, lack of fertilizers, pesticides, weed and disease control, and high storage wastage — all of which are within the control of man.

Mechanization of rice production is far behind that of most other crops. It is estimated that only about two per cent of world acreage is fully mechanized and virtually all of this is in North and South America and Europe.

Inadequate capital, and, perhaps most important, a lack of knowledge on the part of the majority of growers have greatly retarded progress in rice production. Fortunately, much scientific information is available, and the dissemination of this information will be a major task of the International Rice Year program.



FINANCIAL REVIEW



YEAR	BUSINESS ACTIVITY				OPERATING SUMMARY				
	Average Number of Employees	Total Assets	Net Sales	Asset Turnover	Gross Profit	Gross Margin	Before Income Taxes and Exchange		Income Taxes
							Profit	Margin	
1956	23,232	\$296.0	\$355.1	120.0%	\$ 53.2	15.0%	\$ 9.0	2.5%	\$(4.4)
1957	21,481	286.1	390.8	136.6	61.9	15.8	3.6	0.9	(5.3)
1958	23,808	310.0	420.2	135.5	78.9	18.8	23.1	5.5	(8.7)
1959	29,955	465.3	475.5	102.2	96.9	20.4	29.0	6.1	(6.1)
1960	35,376	458.0	490.4	107.1	99.9	20.4	16.8	3.4	(6.6)
1961	38,397	507.9	519.3	102.2	108.2	20.8	20.4	3.9	(10.0)
1962	39,806	533.5	596.1	111.7	127.8	21.4	30.0	5.0	(14.3)
1963	41,089	560.8	685.7	122.3	154.7	22.6	41.7	6.1	(17.7)
1964	42,927	621.4	772.0	124.2	182.0	23.6	62.8	8.1	(15.9)
1965	45,667	741.6	808.5	109.0	177.8	22.0	46.6	5.8	(7.5)

YEAR	LIQUIDITY		CHANGES IN FIXED ASSETS				SOURCE OF ASSETS	
	Net Current Assets	Current Ratio	Depreciation of Building and Equipment	Amortization of Tooling	Total Depreciation and Amortization	Additions	Liabilities	
							Current	Other
1956	\$170.3	3.7	\$ 5.5	\$1.6	\$ 7.1	\$14.7	20.9%	26.8%
1957	156.4	3.5	5.9	2.5	8.4	12.2	21.8	27.5
1958	153.5	2.8	6.4	2.2	8.6	16.3	26.5	24.0
1959	174.8	2.0	8.3	3.8	12.1	68.9	36.6	21.7
1960	175.6	2.1	13.4	5.4	18.8	16.9	33.8	22.3
1961	179.4	1.9	13.8	5.3	19.1	25.7	37.7	20.8
1962	189.7	1.9	15.3	4.9	20.2	21.6	38.2	20.0
1963	250.4	2.6	15.5	4.9	20.4	29.3	28.8	26.0
1964	265.1	2.4	17.0	6.0	23.0	40.7	29.6	23.7
1965	274.8	2.0	18.5	7.5	26.0	47.0	36.7	19.7

BASIS OF CONSOLIDATION

The world-wide results of the operations of the company and all its subsidiaries are included in the 1965 Statement of Consolidated Income. The companies consolidated are the same as in 1964 with the addition of Badger Northland Inc. and Massey-Ferguson (Farm Services) Limited. As in prior years "subsidiary companies" are those in which the company owns more than half of the voting shares.

Associated companies and the wholly owned finance companies have been shown as investments on the consolidated balance sheet. The assets and liabilities of the finance companies have not been consolidated since they are significantly different in character from those of the manufacturing operations; however, a combined statement

of the assets and liabilities of the finance companies is shown on page 20 of this report.

CAPITAL EXPENDITURES

During 1965 expenditures on capital facilities of \$47.0 million were made, largely in North America, France and the United Kingdom. The heavy rearrangement costs relating to the introduction of the new tractor line referred to in 1964 continued into the early part of the 1965 fiscal year. Increased tractor production capacity in Coventry and the capacity to produce larger tractors in Detroit have been made possible only as a result of the major capital investment programs in these factories.

		SHAREHOLDERS' EQUITY		INCOME DISTRIBUTION				YEAR
Exchange	Net Income (Loss)	Total	Return on Equity	Dividends on Preferred Shares	Net Income (Loss) for Common Shares	Dividends on Common Shares	Income Retained	
\$ (1.5)	\$ 3.1	\$154.8	2.0%	\$1.1	\$ 2.0	\$ 4.8	\$ (2.8)	1956
(3.0)	(4.7)	145.0	(3.2)	1.1	(5.8)	3.8	(9.6)	1957
(1.4)	13.0	153.3	8.5	1.1	11.9	3.8	8.1	1958
(1.9)	21.0	193.9	10.8	1.1	19.9	4.7	15.2	1959
3.0	13.2	200.9	6.6	1.4	11.8	4.8	7.0	1960
4.8	15.2	210.8	7.2	1.4	13.8	4.9	8.9	1961
2.4	18.1	222.8	8.1	1.4	16.7	4.9	11.8	1962
0.1	24.1	253.5	9.5	1.4	22.7	6.6	16.1	1963
(1.9)	45.0	290.4	15.5	0.7	44.3	8.1	36.2	1964
1.0	40.1	323.4	12.4	—	40.1	13.5	26.6	1965

Shareholders' Equity	SHAREHOLDERS			PER COMMON SHARE					YEAR
	Shareholders	Shares Outstanding		Sales	Net Income (Loss)	Dividends	Income Retained	Equity	
		Preferred	Common						
52.3%	34,535	245,596	9,519,155	\$37.31	\$0.22	\$0.50	\$(0.28)	\$13.57	1956
50.7	35,398	243,646	9,519,155	41.05	(0.61)	0.40	(1.01)	12.56	1957
49.5	34,024	242,570	9,552,248	44.00	1.25	0.40	0.85	13.39	1958
41.7	41,459	259,860	12,075,911	39.38	1.65	0.40	1.25	13.79	1959
43.9	42,171	259,665	12,098,471	40.54	0.97	0.40	0.57	14.34	1960
41.5	40,089	259,610	12,200,868	42.56	1.13	0.40	0.73	15.03	1961
41.8	40,359	254,834	12,268,599	48.59	1.36	0.40	0.96	15.97	1962
45.2	40,363	254,748	13,495,948	50.81	1.68	0.50	1.18	16.81	1963
46.7	33,799	—	14,820,038	52.09	3.04	0.60	2.44	19.60	1964
43.6	34,884	—	15,059,025	53.69	2.66	1.00	1.66	21.48	1965

Expansion in France, at the Beauvais and Marquette plants, will improve the supply of both tractors and combines for the European Common Market. Additional facilities in Peterborough will enable the Perkins group to produce V8-type diesel engines designed largely for trucks. During the year, an implement assembly plant and new executive offices for the North American management group were purchased in Des Moines, Iowa. Construction continues on new office buildings in Coventry, England and Petit Clamart, France and construction of new engineering offices and facilities in Peterborough was commenced. To meet the increasing demand by the company for grey iron a small foundry was purchased in Eschwege, Germany.

Negotiations for new manufacturing facilities in Sao Paulo, Brazil were successfully concluded shortly after the fiscal year end.

Negotiations commenced during the year with Motor Iberica S.A., a major Spanish manufacturer of trucks, tractors and diesel engines. These negotiations are now approaching a conclusion and it is anticipated that the company will shortly acquire approximately a 38 per cent interest in an expanded Motor Iberica S.A.

Early in the year the company purchased the remaining 50 per cent interest in Massey-Ferguson-Butler Limited and changed the name to Massey-Ferguson (Farm Services) Limited. Negotiations were finalized for the purchase of Badger Northland Inc., located in Kaukauna, Wisconsin.

The operations of these two subsidiaries are consolidated this year for the first time.

WORKING CAPITAL

Working capital of \$274.8 million showed an improvement of \$9.7 million over the 1964 position, while the ratio of current assets to current liabilities declined to 2.01 to 1 compared with 2.44 and 2.55 in the two preceding years. Largely due to the \$36.5 million sales increase over 1964, much of which occurred late in the fiscal year, and the longer dealer credit terms in some areas, receivables increased \$42.2 million. The record sales level achieved in the last half of the year has increased the level of wholesale receivables at the year end.

Inventories of raw material and work in progress increased \$33.9 million, a reflection of the increasing complexity of the product line and the need to support the higher annualized production rate of late 1965 and programmed for 1966. Also in anticipation of the tractor model changeover in early 1965, intra-company component inventories were abnormally low at October 1964 but with the full production schedules in effect at October 1965 these inventories increased substantially over the previous year end. Finished goods inventories have increased to meet the higher market demand.

As a result of the increase in receivables and inventories, net short term borrowing (excluding the North American finance companies) has increased \$87.1 million.

GEOGRAPHICAL DISTRIBUTION OF ASSETS EMPLOYED

(MILLIONS OF DOLLARS)

	1965	1964	1963	1962	1961
NORTH AMERICA	\$317.3	\$277.4	\$253.3	\$230.5	\$234.5
EUROPE	321.3	255.2	230.4	233.8	228.4
AUSTRALIA	42.7	38.1	30.6	29.6	28.0
LATIN AMERICA	31.1	27.9	24.6	18.3	12.7
AFRICA	27.0	20.5	20.8	20.2	4.1
ASIA	2.2	2.3	1.1	1.1	0.2
TOTAL	\$741.6	\$621.4	\$560.8	\$533.5	\$507.9

FINANCE COMPANIES

Short term borrowings by the North American finance companies of \$100.5 million represent an increase of \$8.5 million over last year. Their portfolio of retail receivables increased by \$29.2 million, a reflection in large measure of the increase in retail sales in North America and the increasing use of sales finance plans.

During the year Massey-Ferguson Finance Corporation issued \$10.7 million of long term subordinated debt and an equal amount of medium term bank debt. Massey-Ferguson Finance Company of Canada Limited borrowed \$5 million on a promissory note. These longer term financing actions were necessary in order to assist the financing of the

expanded retail receivable portfolios of both companies. Since the end of the fiscal year Massey-Ferguson Finance Corporation borrowed U.S.\$25 million 5.25 per cent long term funds maturing in 1985.

EXCHANGE ADJUSTMENTS

The favourable exchange adjustment in the current year is due in part to the stronger position of sterling than was the case at this time last year and the relative strength of other world currencies vis-a-vis the Canadian dollar. Sterling has been strengthened, at a time when seasonal weakness was expected, by strong action taken by the United Kingdom government and by the pledges of support from

SOURCE AND USE OF FUNDS

(MILLIONS OF DOLLARS)

	<u>1965</u>	<u>1964</u>	<u>1963</u>
Working capital at beginning of year	<u>\$265.1</u>	<u>\$250.4</u>	<u>\$189.8</u>
SOURCE OF FUNDS:			
Net income for the year	40.1	45.0	24.1
Depreciation and amortization of production tooling	26.0	23.0	20.4
TOTAL CASH FLOW	66.1	68.0	44.5
Reduction in investment in subsidiary and associated companies	1.0		
Net book value of fixed asset disposals	1.7	1.1	1.5
Increase in deferred income taxes		0.3	
Increase in long term debt and minority interest in subsidiaries	32.2	27.6	69.7
Issue of common shares, less expenses of issue	6.4	0.7	11.9
Other		0.7	3.2
TOTAL	107.4	98.4	130.8
USE OF FUNDS:			
Additions to fixed assets, including assets of acquired companies	47.0	40.7	29.3
Reduction in long term debt and minority interest in subsidiaries	29.7	26.5	29.6
Payment of preferred share dividends		0.7	1.4
Payment of common share dividends	13.5	8.1	6.6
Increase in investment in associated companies		3.0	0.2
Increase in investment in North American finance companies		4.7	1.9
Decrease in deferred income taxes	3.7		1.2
Other	3.8		
TOTAL	97.7	83.7	70.2
Increase in working capital	9.7	14.7	60.6
WORKING CAPITAL AT END OF YEAR	\$274.8	\$265.1	\$250.4

most central banks. Financial statements of subsidiary companies outside Canada are prepared in local currencies and translated to Canadian dollars following generally accepted accounting principles of exchange translation. Exchange rates prevailing at October 31 are used to translate net working capital and long term debt; rates prevailing at time of acquisition are used for translation of investments, fixed assets and depreciation provisions, while income and expense items (other than depreciation provisions) are translated at average exchange rates prevailing throughout the year.

INCOME TAXES

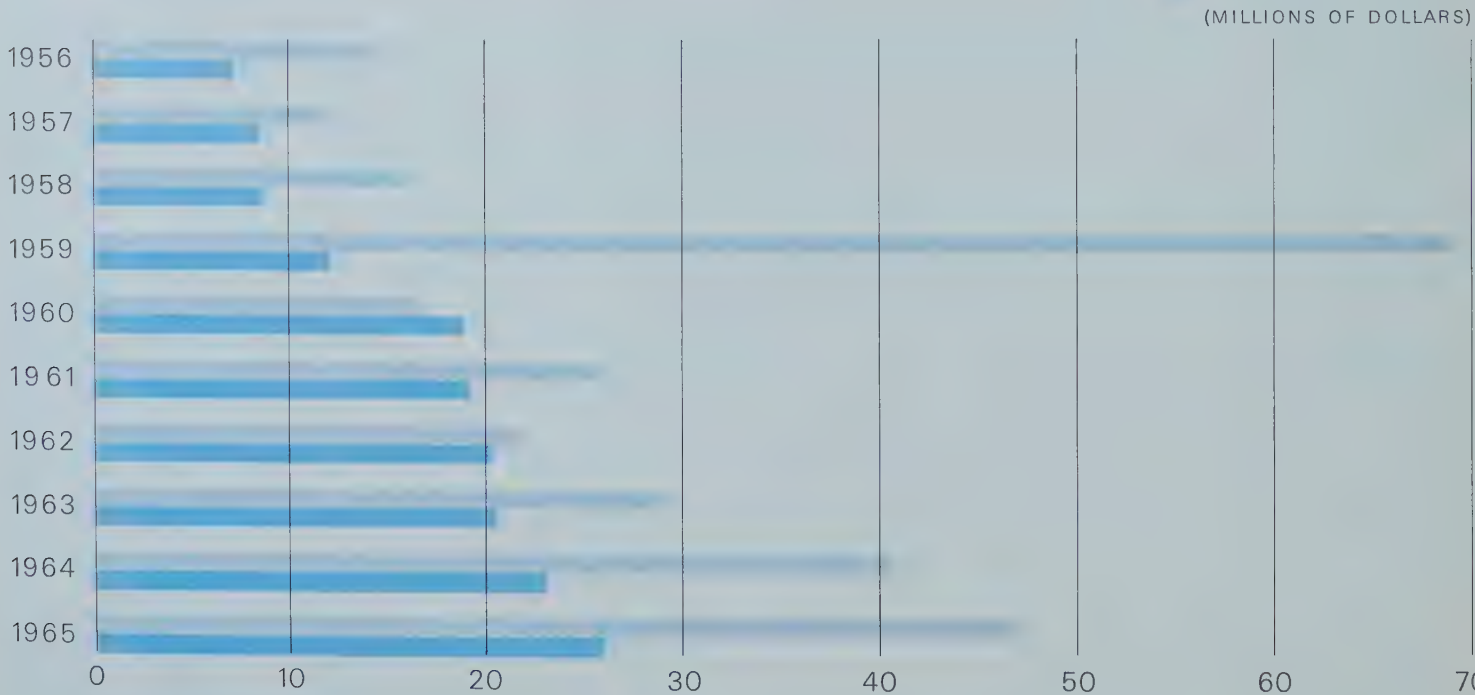
Income taxes for the current year of \$7.5 million are down \$8.4 million from 1964 and reflect credits of \$10.8 million compared with last year's credits of \$11.6 million. In each year there were tax reductions resulting from the carry forward of prior years' losses in certain companies, the credits resulting from investment allowances and organizational and other changes in certain companies. Massey-Ferguson companies have continued to follow the generally accepted accounting practice of crediting to "Deferred Income Taxes" the income tax reductions result-

ing from claims for capital allowances for income tax purposes in excess of the depreciation provisions recorded in the accounts. The income tax reductions are then brought into income in subsequent years when total allowances available for tax purposes are less than the depreciation recorded in the accounts. Part of the reduction in "Deferred Income Taxes" in 1965 results from the reduced rate of income tax on companies in the United Kingdom. French Operations have loss balances still available for carry-forward against income earned in 1966 and thereafter which would otherwise be subject to tax.

PROVISION FOR DEPRECIATION OF FIXED ASSETS AND AMORTIZATION OF PRODUCTION TOOLING

Depreciation of facilities is provided at rates which have been designed to write off these assets over a conservative estimate of their useful life. Production tooling of a new product or major product change is generally amortized over a three year period commencing with the first year of full utilization of the tooling concerned; tooling for replacements for minor product changes is charged against income at the time of purchase.

ADDITIONS TO FIXED ASSETS (INCLUDING ASSETS OF ACQUIRED COMPANIES) DEPRECIATION, AND AMORTIZATION OF PRODUCTION TOOLING



**NET SALES
BY TERRITORIES**
(MILLIONS OF DOLLARS)

TERRITORIES	1965		1964	1963	1962	1961	1960	1959	1958	1957	1956
	% of Total	Amount \$	\$	\$	\$	\$	\$	\$	\$	\$	\$
NORTH AMERICA											
CANADA	11.0	89.2	81.6	76.5	62.8	52.5	61.8	55.6	40.3	41.5	45.0
UNITED STATES	27.9	225.4	188.3	166.5	145.1	136.7	144.4	162.1	130.3	89.5	98.0
TOTAL	38.9	314.6	269.9	243.0	207.9	189.2	206.2	217.7	170.6	131.0	143.0
EUROPE											
UNITED KINGDOM	11.2	90.6	95.4	91.8	78.7	76.3	65.6	69.3	56.5	49.8	38.5
FRANCE	11.5	92.9	92.2	80.2	71.7	62.3	56.0	63.7	79.0	87.7	68.7
GERMANY	5.7	46.2	47.1	37.6	38.9	34.2	20.3	15.0	10.1	9.6	7.0
SCANDINAVIA	4.6	37.1	37.9	31.7	37.9	31.7	22.5	18.5	16.0	18.5	16.4
ITALY	3.0	24.2	20.6	19.5	14.5	7.6	3.3	1.9	2.2	2.8	1.9
BENELUX	1.1	8.8	8.0	5.8	7.5	6.6	5.1	4.1	2.9	4.5	3.4
AUSTRIA	0.7	5.7	4.7	4.9	6.0	4.6	3.6	2.1	3.6	2.6	1.1
YUGOSLAVIA	0.3	2.2	4.2	2.4	2.7	5.1	11.1	8.3	6.7	5.8	3.3
SPAIN	0.4	3.6	4.0	5.1	6.2	2.3	0.7	0.9	1.5	0.2	0.9
OTHER	0.9	7.1	5.6	3.8	4.2	3.5	2.9	3.0	2.8	2.0	1.5
TOTAL	39.4	318.4	319.7	282.8	268.3	234.2	191.1	186.8	181.3	183.5	142.7
AUSTRALASIA	6.8	55.2	57.7	47.5	38.7	34.7	37.9	29.8	27.8	33.0	30.3
AFRICA											
REPUBLIC OF SOUTH AFRICA	3.9	31.1	32.5	28.4	22.0	11.8	10.5	7.1	10.4	14.7	11.0
OTHER	2.0	16.4	12.3	14.6	9.2	8.5	12.9	11.3	9.6	9.6	8.0
TOTAL	5.9	47.5	44.8	43.0	31.2	20.3	23.4	18.4	20.0	24.3	19.0
LATIN AMERICA											
BRAZIL	2.6	21.0	31.1	20.5	10.7	5.8	2.1	0.2	2.4	1.6	2.3
OTHER	2.5	20.2	21.7	16.2	15.3	12.9	10.8	8.0	7.1	8.2	8.7
TOTAL	5.1	41.2	52.8	36.7	26.0	18.7	12.9	8.2	9.5	9.8	11.0
ASIA											
INDIA	0.6	5.0	3.2	3.8	4.1	5.4	8.1	3.3	3.1	3.5	3.1
OTHER	3.3	26.6	23.9	28.9	19.9	16.8	10.8	11.3	7.9	5.7	6.0
TOTAL	3.9	31.6	27.1	32.7	24.0	22.2	18.9	14.6	11.0	9.2	9.1
TOTAL	100.0	808.5	772.0	685.7	596.1	519.3	490.4	475.5	420.2	390.8	355.1

**NET SALES
BY QUARTERS**
(MILLIONS OF DOLLARS)

3 MONTHS ENDED	1965		1964	1963	1962	1961	1960	1959	1958	1957	1956
	% of Total	Amount \$	\$	\$	\$	\$	\$	\$	\$	\$	\$
JANUARY 31	17.2	138.8	145.5	110.4	96.6	86.8	87.9	82.5	74.5	65.0	60.8
APRIL 30	23.9	193.1	218.2	189.4	167.2	141.8	133.1	142.8	124.1	110.4	99.3
JULY 31	29.0	234.4	223.4	180.4	154.1	133.7	131.2	137.7	119.3	125.6	107.1
OCTOBER 31	29.9	242.2	184.9	205.5	178.2	157.0	138.2	112.5	102.3	89.8	87.9
TOTAL	100.0	808.5	772.0	685.7	596.1	519.3	490.4	475.5	420.2	390.8	355.1

**NET SALES
BY PRODUCTS**
(MILLIONS OF DOLLARS)

PRODUCTS	1965		1964	1963	1962	1961	1960	1959	1958	1957	1956
	% of Total	Amount \$	\$	\$	\$	\$	\$	\$	\$	\$	\$
TRACTORS	44.1	356.3	350.2	325.9	286.4	243.1	221.4	215.3	193.0	188.5	157.7
GRAIN HARVESTING	17.6	142.2	128.3	97.0	83.8	84.4	86.4	100.5	96.4	88.3	80.2
DIESEL ENGINES	11.7	94.9	93.9	81.3	70.8	52.4	47.7	24.6			
HAY HARVESTING	4.3	35.0	34.6	34.0	29.8	26.0	28.7	29.5	27.1	16.3	15.5
OTHER	12.1	98.1	85.0	74.5	62.5	58.1	57.5	56.7	58.7	55.8	61.9
PARTS	10.2	82.0	80.0	73.0	62.8	55.3	48.7	48.9	45.0	41.9	39.8
TOTAL	100.0	808.5	772.0	685.7	596.1	519.3	490.4	475.5	420.2	390.8	355.1



Photo by David Forbert

LATIN AMERICAN sales for 1965 were \$41.2 million. Over the past five years they have more than tripled. A decline of \$11.6 million in 1965 from the record established the previous year was due almost entirely to the initial adverse commercial impact in Brazil of governmental programs to bring about a more stable economic and political situation. The company manufactures tractors and diesel engines in two plants in Sao Paulo, Brazil. The lease on the present tractor plant will not be renewed since another plant with improved facilities in the same city has just been acquired and will be brought into production during the 1966 fiscal year. The company's second largest market in Latin America is Mexico (pictured above) where irrigation and increased mechanization and productivity are steadily improving agricultural output. The Mexican government's established policy of developing national industries is seen in the automobile industry where local assembly operations are well advanced. In the near future it is clear that tractor assembly manufacture in Mexico will develop along similar lines.

Massey-Ferguson Limited

200 UNIVERSITY AVE., TORONTO 1, CANADA

DIRECTORS

*Albert A. Thornbrough
President and Chief Executive Officer

*E. P. Taylor
Chairman, Executive Committee

The Marquess of Abergavenny
Hon. Leslie M. Frost, Q.C.
R. W. Main
John H. Shiner

Henry Borden, Q.C.
Charles L. Gundy
*A. Bruce Matthews
K. C. Tiffany

H. J. Carmichael
Gilbert W. Humphrey
*John A. McDougald
H. A. Wallace

Lord Crathorne
John D. Leitch
*Maxwell C. G. Meighen
*Colin W. Webster

*Member of Executive Committee

CORPORATE MANAGEMENT

Albert A. Thornbrough
President and Chief Executive Officer

J. H. Shiner
Vice President Marketing

K. C. Tiffany
Vice President Finance

H. A. Wallace
Vice President Manufacturing

J. A. Belford
*Vice President
Personnel and Industrial
Relations*

J. J. Chluski
*Vice President
Planning and Procurement*

J. J. Jaeger
*Vice President
Engineering*

H. G. Kettle
*Vice President
Public Relations*

J. E. Mitchell
*Vice President
Industrial and Construction
Machinery*

L. J. Boon
*Director
Special Operations*

H. A. R. Powell
*Managing Director
Massey-Ferguson Holdings Limited*

R. W. Main
Secretary

S. R. Wilson
Comptroller

J. A. Evans
Director Legal Services

OPERATIONS MANAGEMENT

INTERNATIONAL

†W. Lattman
*Chairman
Massey-Ferguson International A.G.*

EXPORT

J. W. Beith
*Vice President and Managing Director
Massey-Ferguson (Export) Limited*

AUSTRALIAN

H. P. Weber
*Managing Director
Massey-Ferguson (Australia) Limited*

FRENCH

L. R. de Rosen
*President-Directeur General
Massey-Ferguson S.A.*

GERMAN

R. A. Diez
*General Manager
Massey-Ferguson G.m.b.H.*

ITALIAN

Dr. F. Fadda
*General Manager
Landini S.p.A.
Massey-Ferguson Italiana S.p.A.*

NORTH AMERICAN

J. G. Staiger
*Vice President and General Manager
President, Massey-Ferguson Inc. and
Massey-Ferguson Industries Limited*

UNITED KINGDOM

G. A. Hunt
*Managing Director
Massey-Ferguson
(United Kingdom) Limited*

PERKINS GROUP

M. I. Prichard
*Managing Director
F. Perkins Limited*

†Deceased November 5, 1965

SPECIAL OPERATIONS

BRAZIL

J. E. Williams
*Managing Director
Massey-Ferguson do Brasil S.A.*

SOUTH AFRICA

Dr. L. B. Knoll
*Managing Director
Massey-Ferguson (South Africa) Limited*

TRANSFER AGENTS AND REGISTRARS

COMMON SHARES

Toronto
Montreal
Vancouver, Winnipeg
Halifax
New York
London, England

TRANSFER AGENTS

National Trust Company Limited
Canada Permanent Trust Company
National Trust Company Limited
Canadian Imperial Bank of Commerce
The Canadian Bank of Commerce Trust Company
The British Empire Trust Company, Limited

REGISTRARS

Canada Permanent Trust Company
Canadian Imperial Bank of Commerce
National Trust Company Limited
Canadian Imperial Bank of Commerce
The Canadian Bank of Commerce Trust Company
The British Empire Trust Company, Limited

Massey-Ferguson Limited . . . SUBSIDIARIES AND

SUBSIDIARIES

ARGENTINA

COMPANIA MASSEY-FERGUSON S.R.L.
Balcarse, 340/48, Buenos Aires, Argentina.
Limited Partnership—No Directors.

AUSTRALIA

MASSEY-FERGUSON HOLDINGS (AUSTRALIA) LIMITED
2 Devonshire Road, Sunshine, Victoria, Australia.

Directors: H. P. Weber, Deputy Chairman and Managing Director; J. M. Baillieu;
R. R. Law-Smith; J. A. McDougald; E. P. Taylor; A. A. Thornbrough.

MASSEY-FERGUSON (AUSTRALIA) LIMITED
2 Devonshire Road, Sunshine, Victoria, Australia.

Directors: H. P. Weber, Deputy Chairman and Managing Director; J. S. Adams;
W. A. Critchley; J. K. Gaunt; G. R. Johnson; J. A. McDougald; T. A. Minahan;
J. H. Morison; A. A. Thornbrough; J. M. Vance.

BRAZIL

MOTOTRAC-MAQUINAS e MOTORES LIMITADA
Avenida Sao Joao 473 Sao Paulo, Brazil.
Limited Partnership—No Directors.

MASSEY-FERGUSON DO BRASIL S.A.
Avenida Sao Joao 473 Sao Paulo, Brazil.

Directors: J. E. Williams, Managing Director; J. P. Fernandes; J. M. Pinheiro Neto;
Dr. Lelio de Toledo Piza e Almeida.

CANADA

MASSEY-FERGUSON INDUSTRIES LIMITED
915 King Street West, Toronto 3, Ontario.

Directors: A. A. Thornbrough, Chairman; J. G. Staiger, President; R. K. Hall; R. E.
Kidder; R. W. Main; L. H. Pomeroy; K. C. Tiffany; J. W. Vingoe.

MASSEY-FERGUSON BRANTFORD LIMITED
Park Road North, Brantford, Ontario.

A. A. Thornbrough, Chairman; J. G. Staiger, President.

SUNSHINE OFFICE EQUIPMENT LIMITED
Sunshine Avenue, Waterloo, Ontario, Canada.

J. G. Staiger, Chairman; J. W. Vingoe, President.

ART WOODWORK LIMITED
6040 Henri Bourassa Blvd. E., Montreal North 39, P.Q.

J. G. Staiger, Chairman; J. W. Vingoe, President.

MASSEY-FERGUSON FINANCE COMPANY OF CANADA LIMITED
915 King Street West, Toronto 3, Ontario.

A. A. Thornbrough, Chairman; J. G. Staiger, President.

EIRE

MASSEY-FERGUSON (EIRE) LIMITED
134/135 Lower Baggot Street, Dublin, Eire.

G. A. Hunt, Chairman and Managing Director; W. M. Henderson, General Manager.

FRANCE

MASSEY-FERGUSON S.A.
56 Avenue Victor Hugo, Paris 16, France.

Directors: L. R. de Rosen, Président-Directeur Général; J. J. Chluski; Société
Générale d'Exploitations Industrielles; M. Flouret; M. Rauscher; P. J. Roy; A. A.
Thornbrough; H. W. Waite; E. W. Young.

GERMANY

MASSEY-FERGUSON G.m.b.H.
35 Kassel, Standeplatz 23, Germany.
E. W. Young, Chairman; R. A. Diez, General Manager.

ITALY

LANDINI S.p.A.
20 viale IV Novembre, Reggio Emilia, Italy.

Directors: J. Landini, Chairman; Dr. F. Fadda, General Manager; A. A. Thornbrough,
Vice President; G. Canepa; M. I. Prichard; J. H. Shiner; E. W. Young.

MASSEY-FERGUSON ITALIANA S.p.A.
Corso Venezia 14, Milan, Italy.

E. W. Young, Chairman; Dr. F. Fadda, Managing Director.

MEXICO

MASSEY-FERGUSON DE MEXICO, S.A. de C.V.
Paseo de la Reforma No. 393 Piso 6, Mexico, D.F. Mexico.
Directors: A. A. Thornbrough, President (alternate C. Klavins); N. E. Burgess;
J. H. Shiner (alternate E. Hidalgo).

SOUTH AFRICA

MASSEY-FERGUSON (SOUTH AFRICA) LIMITED
Steel Road, Vereeniging, South Africa.

Directors: Lt. Col. K. Rood, Chairman; Dr. L. B. Knoll, Managing Director, (alternate
M. C. Gandy); L. J. Boon (alternate R. Ramsay); C. H. Brink (alternate R. R. A.
Champion); A. A. Thornbrough (alternate L. Perold); K. C. Tiffany (alternate F. G.
Brand); Dr. J. G. F. van der Merwe (alternate C. J. F. Human); J. H. Smit.

SOUTH AFRICAN FARM IMPLEMENT MANUFACTURERS LIMITED
Steel Road, Vereeniging, South Africa.

Lt. Col. K. Rood, Chairman; Dr. L. B. Knoll, General Manager.

RHODESIA

RHODESIAN PLOUGH & MACHINERY COMPANY (1948) LIMITED
Bulawayo, Rhodesia.

Directors: Sir Patrick Fletcher, Chairman; D. J. Divett, Manager; F. G. Brand; Dr. L. B.
Knoll; J. W. Phillips; R. Ramsay; J. Gilchrist; S. H. Veats.

UNITED KINGDOM

MASSEY-FERGUSON HOLDINGS LIMITED
33 Davies Street, London, W.1., England.

Directors: E. W. Young, Chairman; H. A. R. Powell, Managing Director; The Marquess
of Abergavenny; J. W. Beith; L. J. Boon; Lord Crathorne; L. de Rosen; R. A. Diez;
Dr. F. Fadda; G. A. Hunt; Lord Hurd; J. A. McDougald; F. A. Perkins; M. I. Prichard;
E. P. Taylor; A. A. Thornbrough; H. W. Waite; I. J. Wallace; C. W. Webster.

MASSEY-FERGUSON (UNITED KINGDOM) LIMITED
33 Davies Street, London, W.1., England.

Directors: E. W. Young, Chairman; G. A. Hunt, Managing Director; H. J. Hebden;
J. A. McDougald; L. A. Parker; S. E. Spicer; E. P. Taylor; A. A. Thornbrough; H. W.
Waite; I. J. Wallace; C. W. Webster; Dr. B. F. Willetts.

MASSEY-FERGUSON (EXPORT) LIMITED
Banner Lane, Coventry, England.

Directors: E. W. Young, Chairman; J. W. Beith, Managing Director; Sir Edwin
Chapman-Andrews; J. H. Shiner; H. W. Waite; I. J. Wallace.

MASSEY-FERGUSON-PERKINS LIMITED
33 Davies Street, London, W.1., England.

Directors: A. A. Thornbrough, Chairman and Senior Managing Director; E. W. Young,
Deputy Chairman; G. A. Hunt, Managing Director; M. I. Prichard, Managing Director;
H. A. R. Powell; K. C. Tiffany; H. W. Waite.

MASSEY-FERGUSON (FARM SERVICES) LIMITED
Market Chambers, Shelton Square, Coventry, England.
G. A. Hunt, Chairman; B. Hatch, General Manager.

UNITED STATES

MASSEY-FERGUSON INC.
12601 Southfield Road, Detroit, Michigan, U.S.A.

Directors: A. A. Thornbrough, Chairman; J. G. Staiger, President; P. L. Horton; K. C.
Tiffany; R. L. Tweedale; J. A. Vance; J. A. Wickizer.

BADGER NORTHLAND INC.
215 West Second Street, Kaukauna, Wisconsin
Directors: J. G. Staiger, Chairman; Vincent Rohlf, President.

MASSEY-FERGUSON FINANCE CORPORATION
6th and Washington, Springfield, Ill.
J. G. Staiger, Chairman and President.

INTERNATIONAL GROUP

MASSEY-FERGUSON INTERNATIONAL A.G.
Alpenstrasse 9, 6300 Zug, Switzerland.

Directors: Dr. P. Gmuer; Dr. H. Steinemann; Dr. C. Stucki; H. W. Waite; M. W. Juker.

AGROTRAC S.A.
Calle Aquilino de la Guardia 8, Panama R.P.
Directors: E. Icaza; Dr. P. Gmuer; M. W. Juker; R. Garcia de Paredes; E. W. Young.

MASSEY-FERGUSON SERVICES N.V.
Pietermaaiweg 22C, Curacao, Netherlands Antilles.
Directors: Hendrik J. Roefstra; John F. Sonnett.

PERKINS SERVICES N.V.
Pietermaaiweg 22C, Curacao, Netherlands Antilles.
Directors: Hendrik J. Roefstra; John F. Sonnett.

PRODUCTS MANUFACTURED . . Massey-Ferguson Limited

PERKINS GROUP

F. PERKINS LIMITED
Peterborough, England.

Directors: M. I. Prichard, Managing Director; S. V. Bishop; J. G. Dawson; V. F. Frayling; T. H. R. Perkins; T. A. Read; A. A. Thornbrough; K. E. Woollatt; E. W. Young.

PERKINS ENGINES LIMITED
Peterscourt, Peterborough, England.

Directors: M. I. Prichard, Chairman; J. G. Dawson; R. F. Mead; T. H. R. Perkins; T. A. Read; G. E. Smith; J. Winstanley

PERKINS ENGINES (PTY.) LIMITED
Princes Highway, Dandenong, Victoria, Australia.
J. M. G. Collins, Managing Director.

PERKINS ENGINES (PROPRIETARY) LIMITED
4 Simmonds Southway, Park Central, Johannesburg, South Africa.
Directors: R. G. Havers, General Manager; E. V. Buchanan; A. H. Brink; T. H. R. Perkins; M. I. Prichard; G. E. Smith.

MOTEURS PERKINS S.A.
55 Boulevard Ornano, Saint Denis (Seine), France.
Directors: H. Vajk, Président-Directeur Général; J. Bondon; G. Delamare-Deboutteville; Perkins Engines Limited; P. Poniatowski; M. I. Prichard; Emile Roche; Baron Roger.

PERKINS MOTOREN G.m.b.H.
Aschaffenburg, Maximilianstrasse 12, West Germany.

PERKINS ENGINES CANADA LIMITED
374 Ouellette Avenue, Windsor, Ontario.
R. A. Cumming, President

PERKINS ENGINES INCORPORATED
27575 Wixom Rd., Wixom, Michigan, U.S.A.
Directors: R. A. Cumming, President and General Manager; J. P. Allan; R. H. Jansa; T. H. R. Perkins; M. I. Prichard; J. A. Vance.

MOTORES PERKINS S.A.
Avenida Wallace Simonsen 13, Sao Bernardo de Campo, State of Sao Paulo, Brazil.
Directors: B. C. Bell, Managing Director; Dr. J. E. Monteiro de Barros; J. M. Pinheiro Neto.

MOTORI PERKINS S.p.A.
Via Pasquale Paoli 9A, Camerlata, Como, Italy.
Directors: Dr. F. Fadda; D. G. Parente; M. I. Prichard.

PERKINS HISPANIA S.A.
Carretera de Aragon, Madrid, Spain.
Directors: E. Glaisher, President; J. Suarez de Alvarez, General Manager; E. Baeza Alegria; J. A. Chesney; I. Diez Nieto; J. Fores Texeiro; J. Loring Guilhou; F. Platard de Quen in; M. I. Prichard.

PRODUCTS MANUFACTURED

AUSTRALIA

BENDIGO, (45,525 sq. ft.) — Manufacture of Non-current Spare Parts.

DANDENONG, (16,160 sq. ft.) — Assembly of Industrial Diesel Engines; Engine Reconditioning.

MELBOURNE (Sunshine), (1,466,019 sq. ft.) — MF506 and MF585 Headers (Self-propelled and Pull-type Combines); Sugar Cane Harvesters; Mowers; Drills; Balers; Hay Rakes; Foragers; Tillers; Cultivators; Harrows; Bale Loaders; Mouldboard, Disc and Chisel Plows; Spinner Broadcasters; Post Hole Diggers; Jib Cranes; Bulk Trailer Bins; Toolbar Planters; Earth Scoops; Multi-purpose Blades; Cordwood Saws; Scarifiers; Subsoilers; Transporters; Rotary Cutters.

BRAZIL

SAO PAULO, (100,000 sq. ft.) — MF 50 and MF 65 Tractors.

SAO PAULO, (150,000 sq. ft.) — Diesel Engines.

CANADA

BRANTFORD, (North American Combine Plant), (571,675 sq. ft.) — MF 300, MF 410 and MF 510 Self-propelled Combines.

BRANTFORD, ("M" Foundry), (192,229 sq. ft.) — Castings for Massey-Ferguson plants.

BRANTFORD, (Verity Plant), (522,754 sq. ft.) — Mouldboard and Disc Plows; Chisel Plows; Disc Harrows; Spring Tooth Harrows; Subsoilers; Wide Level Disc Harrows; Mowers; Side Delivery Rakes; Grain Boxes.

MONTREAL, (115,000 sq. ft.) — Full Line of Wooden Office Furniture.

TORONTO, (1,904,028 sq. ft.) — Balers; Self-propelled and Pull-type Swathers; Corn Pickers; Pick-ups; Components for other assembly locations.

WATERLOO, (285,000 sq. ft.) — Full Line of Modern Steel Office Furniture; Metal Partitions and Storage Equipment including Steel Shelving and Lockers; Steel Garage Doors; Steel Stampings.

WOODSTOCK, (304,800 sq. ft.) — Corn Heads; Cultivators; Harrows; Rotary Hoes; Drills; Planters; Mounted Tillers; Bedders; Listers; Hay Conditioners.

FRANCE

BEAUVAIS, (581,000 sq. ft.) — MF 122, MF 130, MF 135, MF 140, MF 145 and MF 165 Agricultural Tractors.

MARQUETTE (1,066,422 sq. ft.) — MF 830 and MF 99-8 Self-propelled Combines; Combine Presses; Balers; Mowers; One-way Discs; Disc Harrows; Mouldboard Plows; Tillers; Fertilizer Distributors; Cultivators; Trailers.

PARIS (St. Denis), (152,500 sq. ft.) — Diesel Engines.

GERMANY

ESCHWEGE, (678,956 sq. ft.) — MF 30, MF 31, MF 86, MF 87 Combines; Mounted Presses and Straw Choppers for Combines; Forage Harvesters; Harrows; Tillers; Spinner Broadcasters; Roller Chain.

ITALY

COMO, (115,000 sq. ft.) — Diesel Engines; Tractor Components.

FABBRICO, (380,000 sq. ft.) — R50, R3000, R4500, R7000, DT4500, DT7000 Landini 2- and 4-Wheel Drive Agricultural Tractors; C4000, C14000, C4500, C18000 Landini Agricultural and Industrial Crawler Tractors; MF 44, MF Super 44, MF 244, MF 3366 Agricultural and Industrial Crawler Tractors.

SOUTH AFRICA

VEREENIGING, (437,861 sq. ft.) — Maize Harvesters; Mouldboard, Disc and Chisel Plows; Harrows; Cultivators; Tillers; Rotary Hoes; Maize, Cotton and Peanut Planters; Ridgers; Bean Lifters; Toolbars; Earth Scoops; Subsoilers; Multi-purpose Blades; Combination Cutter Hammermills; Rotary Cutters; Animal Draft Implements; Hay Rakes.

RHODESIA

BULAWAYO, (55,500 sq. ft.) — Animal Draft Implements; Hoes; Groundnut Shellers.

UNITED KINGDOM

BAGINTON, (300,000 sq. ft.) — Machining of tractor components.

COVENTRY (Banner Lane), (1,289,000 sq. ft.) — MF 135, MF 165, MF 175 Agricultural Tractors; MF 2135, MF 3165, MF 203, MF 205, MF 2203, MF 2204 Industrial Tractors.

KILMARNOCK, (746,322 sq. ft.) — MF 400, MF 405, MF 410, MF 415, MF 500, MF 505, MF 510, MF 515 and MF 788 Combines, Potato Harvesters; Front-End Loaders.

MANCHESTER (Barton Dock Road), (519,366 sq. ft.) — Mowers; Drills; Fertilizer Attachments; Front-End Loaders; Shovels and Diggers.

UNITED STATES

ALGOMA, (58,250 sq. ft.) — MF 84 Forage Harvester; MF 10 Suburban Tractor. DES MOINES, (North American Implement Plant) (643,458 sq. ft.) — Being Tooled and Equipped for General Implements.

DETROIT (Industrial Products Plant), (362,423 sq. ft.) — 2- and 4-Wheel Drive Industrial Tractors and Shovels; Crawler Dozers and Loaders; Rough Terrain, Towable Fork Trucks; Backhoes; Tractor Mounted Loaders; Landscaping Equipment.

DETROIT, (Tractor Assembly Plant), (550,027 sq. ft.) — MF 135, MF 150, MF 165, MF 175, MF 180, MF 1100 Agricultural Tractors; MF 356 Shovel Loader; MF 202 and MF 204 Fork Lifts; Backhoes; Loaders; Multi-purpose Blades; Post Hole Diggers; Dozer Blades; Fork Lift Kits.

DETROIT, (Transmission and Axle Plant), (185,967 sq. ft.) — Transmissions and Axles for Tractor Assembly Plant and Components for Other Plants.

FOWLER, (68,572 sq. ft.) — Cultivators; Disc Harrows; Spring Tooth Harrows; Reversible Disc Plows; Tool Carriers; Fork Lifts; Utility and Terracer Blades.

KAUKAUNA, (Main Plant), (67,574 sq. ft.) — Badger Barn Cleaners, Silo Unloaders, Tube and Bunk Auger Feeders; Components for other Kaukauna and Algoma Plants.

KAUKAUNA, (North Plant), (33,600 sq. ft.) — MF 23 and MF 24 Unloader Box; MF 88 Forage Blower; MF 89 Silage Distributor; MF 90 Mix Mill; Badger Forage Wagons, Forage Blowers, Hay Heads, Corn Heads, Mix Mills.

PERKINS GROUP

FLETTON, (130,000 sq. ft.) — Being Equipped for V8-510 Diesel Engines.

PETERBOROUGH, (Eastfield), (983,620 sq. ft.) — High Speed Diesel Engines for Marine, Automotive, Agricultural and Industrial Purposes; Industrial Gas-turbines.

PETERBOROUGH, (Queen St.), (120,510 sq. ft.) — Engine Reconditioning.

PETERBOROUGH, (Walton), (169,500 sq. ft.) — Gears and Engine Components.

ASSOCIATE COMPANY

MADRAS, (88,500 sq. ft.) — MF 35 Tractor and Implements.

TRACTORS AND FARM EQUIPMENT LIMITED
P.O. Box 3302, Madras 34, India.

Directors: M. V. Venkatraman, Chairman; A. Sivasailam, General Manager; L. J. Boon (alternate J. Deavin); S. S. Raghavachari; A.A. Thornbrough.

ADDITIONAL OFFICE, TRACTOR AND ENGINE FACILITIES ARE UNDER DEVELOPMENT

During the past five years consolidated sales of Massey-Ferguson Limited outside of North America have increased almost \$210 million — from \$284 million to \$494 million. Sales in the domestic markets of the manufacturing operations units in Europe over the same period have increased more than \$100 million while sales in export territories, which are in large degree sourced from European plants, have grown by more than \$30 million. In these circumstances, despite additions to manufacturing facilities in recent years, the production capacity of MF's major plants has been under pressure.

To meet both short-term requirements and future increased demand, particularly for tractors and from developing countries which are largely growth markets, further extension of production capacity is now underway. More efficient operational offices are also being established.

NEW PRODUCTION CAPACITY AND OFFICES IN UNITED KINGDOM

The largest of the company's tractor manufacturing plants world-wide, in Coventry, England, produces at a rate equivalent to 400 tractors a day and has been running at capacity for several years. An agreement was completed after the close of the 1965 fiscal year for a long lease on approximately 350,000 square feet of space at a factory in Baginton near Coventry. This additional space will be used for machine shop work to relieve the present congestion in the tractor plant and to provide for anticipated future requirements. Coventry serves as headquarters for Massey-Ferguson United Kingdom operations in Coventry, Kilmarnock, Manchester and Urmston, and for all MF export activities. In recent years a large number of staff have occupied temporary quarters. A new 16-story tower block is now being completed for occupancy by 600 personnel from both Massey-Ferguson (United Kingdom) Limited and Massey-Ferguson (Export) Limited.

BRAZIL TRACTOR MANUFACTURE WILL MOVE TO NEW SAO PAULO PLANT

Since 1961, when tractor manufacture was begun in Sao Paulo, production has been carried out in a leased building. This facility is no longer adequate or efficient for current operations and a new plant of 100,000 square feet (compared with the previous area of 59,000 square feet) has been acquired in Sao Paulo. Tractor production will now also be closer to the Perkins diesel engine factory in the same city.



New Coventry office tower block.

Newly acquired Sao Paulo plant.





New diesel engine plant at Fletton, United Kingdom.

PERKINS DIESEL ENGINE FACILITIES EXPANDED IN UNITED KINGDOM

Sales of diesel engines by the Perkins Group (excluding those to Massey-Ferguson) reached \$94.9 million in 1965, slightly ahead of those in 1964. They have increased more than 30 per cent over the last three years. To meet this growing demand Perkins manufacturing facilities are being extended.

Early in the year a 200,000 square-foot self-contained plant, added to the Peterborough Eastfield factory, was brought into production. One of the most highly automated diesel engine plants in the world, it manufactures the 4-cylinder 4.236 engine used in medium capacity trucks.

In May a 130,000 square-foot factory at Fletton, near Peterborough, was purchased and is being equipped to produce a new V8 diesel engine.

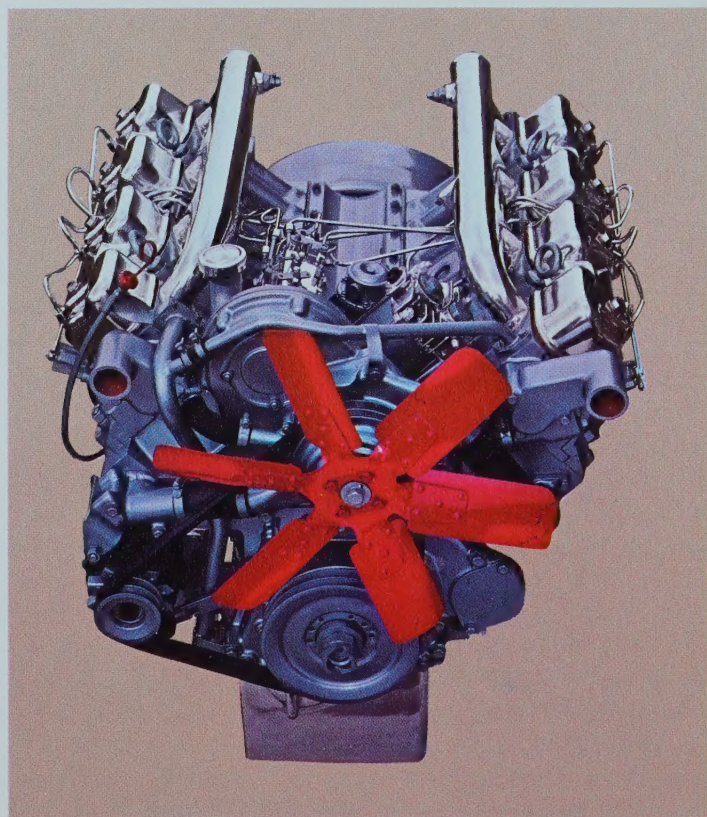
The 170 b.h.p. V8-510 engine — the most powerful unit produced by Perkins — was introduced at exhibitions in Japan, Sweden, United States and United Kingdom towards the end of the 1965 calendar year. The new engine has been developed in line with the trend toward faster motorway trucking operations, and is expected to contribute significantly to further expansion of Perkins sales. A version of the V8 engine for agricultural machinery applications has also been developed.

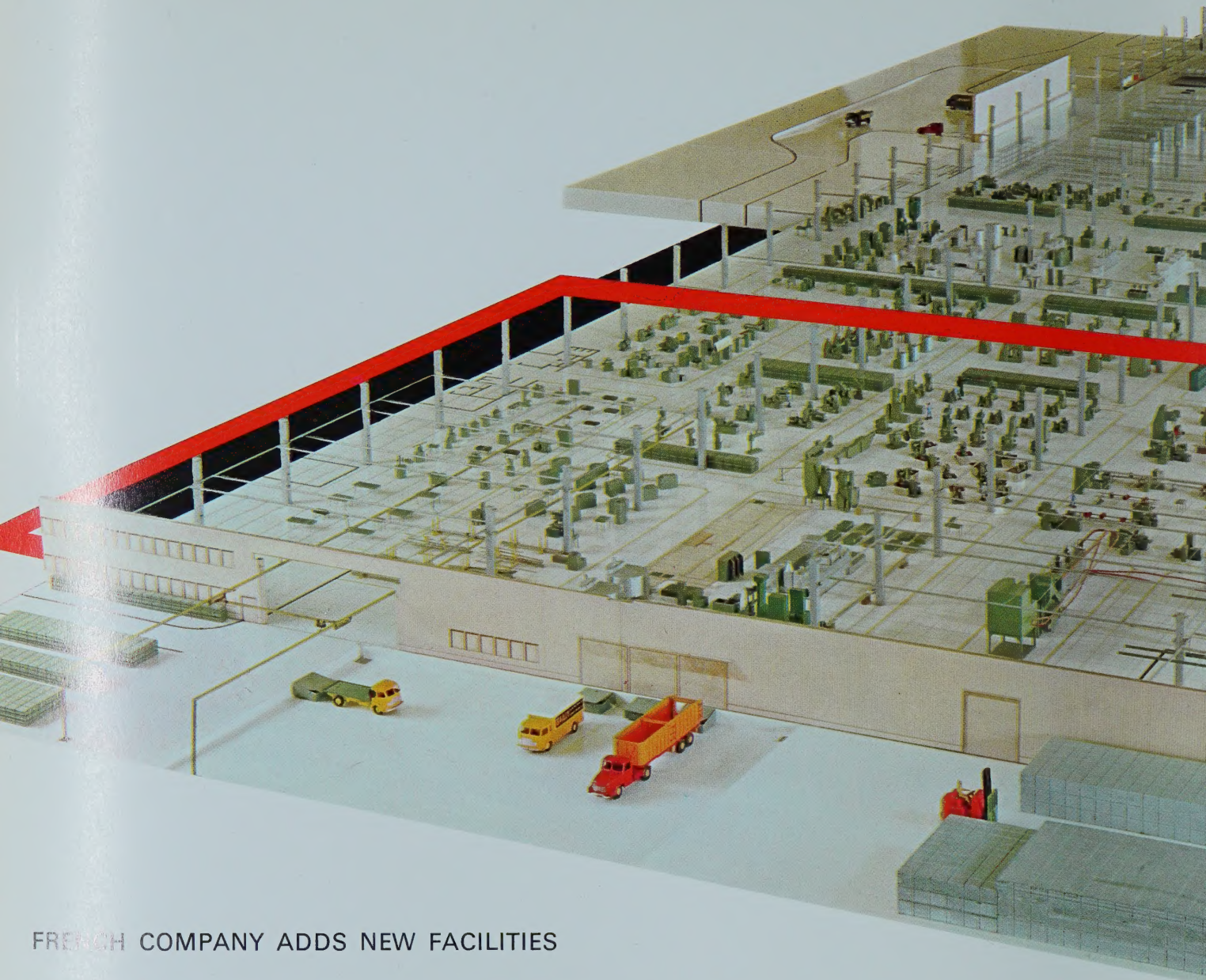
Also successfully introduced during the year was the 4-cylinder 4.108 engine designed to meet the high power requirements of modern light commercial vehicles. This engine is also suitable for taxis and automobiles, providing near-petrol-engine performance allied to a substantial improvement in fuel consumption under comparable hard driving conditions.

The Perkins Group has subsidiaries, licensees, manufacturing or marketing organizations in the United Kingdom,

United States, France, Germany, Australia, Brazil, Italy, Spain, Canada, South Africa, Yugoslavia, Argentina and India. In August a manufacturing agreement was signed with the Tokyo Kogyo Company Limited of Japan which produces some 300,000 vehicles a year. The first undertaking will be the development of a 4-cylinder Perkins engine suitable for the light automotive market.

New Perkins V8-510 diesel engine.





FRENCH COMPANY ADDS NEW FACILITIES

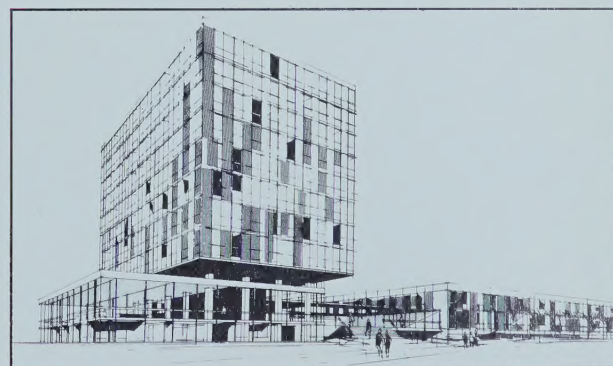
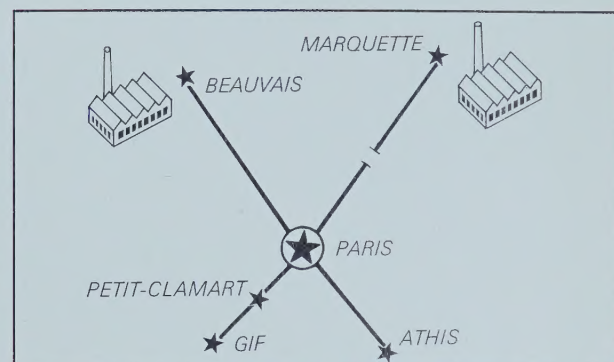
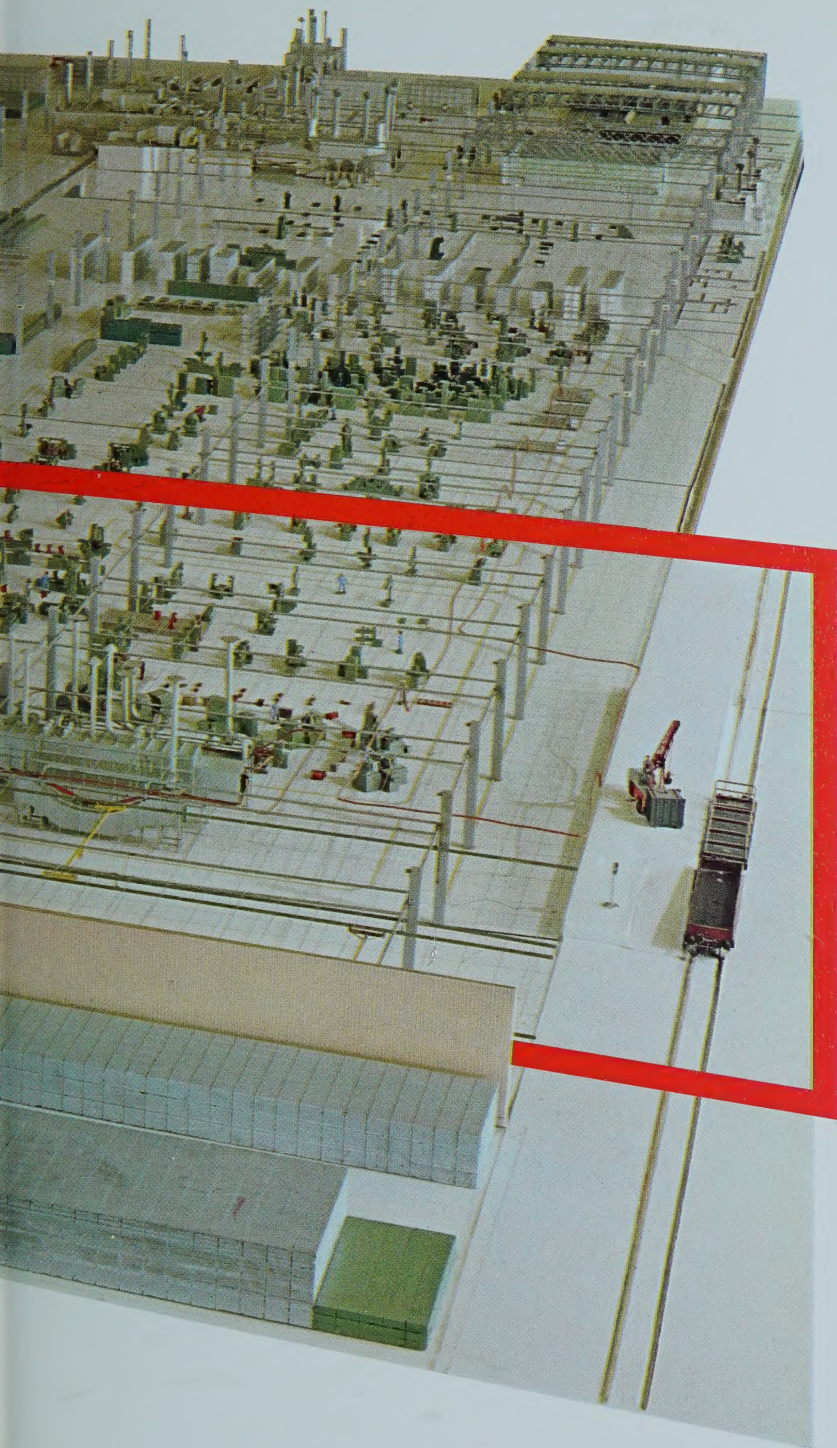
A \$14,000,000 program is under way in France to step up production at two plants and to provide new office and research facilities. The largest single project is the enlargement by 80 per cent of the Beauvais tractor plant where one floor space has already been completed, and installation of new equipment will continue through 1966.

The extended area of 260,000 square feet, as outlined above in red, will be used primarily to increase output of machined parts. Two hundred new, highly automated machine tools plus new automated handling systems will be incorporated with the 450 existing machines for a resultant increase in machining capacity of some 70 per cent. The expansion and realignment of the entire machining section will also provide a far more efficient flow of parts to the subassembly and final assembly lines. Employment at the plant by the end of 1966 will be up 22 per cent to a total of 2,250 workers.

The Beauvais plant, located 45 miles north of Paris, was inaugurated in November 1960 as the largest tractor factory in Continental Europe. Its initial objective was to

supply the French market, but with the development of the Common Market its area of sales has expanded to include most of Europe and countries well beyond. Beauvais has a capacity of 250 tractors a day. It produces six models of agricultural tractors in 16 different versions. In addition to its own needs, and within the framework of the company's policy of parts integration and standardization, Beauvais makes major components — rear axles, gear boxes and hydraulic systems — for MF tractor plants in the United Kingdom and the United States.

Concurrent with the progress at Beauvais, new production machinery and an assembly line are being installed at the Marquette plant to manufacture the large-capacity MF 510 combine. A few of these machines were introduced in France last year with such success that a ready market is indicated both there and elsewhere in Europe. Marquette, near Lille on the Belgium border, was MF's



New office building at Petit-Clamart.

first manufacturing plant in France, having been opened in 1926. The factory now produces combines, balers, various other implements and primary components. It also includes a modern grey iron foundry which supplies castings to Beauvais and MF's German combine plant.

The third new project is the construction of a building at Petit-Clamart, six miles south of the centre of Paris. It will house all the French administrative personnel and certain research and engineering departments now spread out at eight different locations in Paris and its suburbs. The offices will be contained in an eight-story tower block, and laboratories and research facilities will occupy a two-

story building adjacent.

Close by are two other installations of the French company — the product education and service training centre at Gif and the central parts warehouse at Athis. Massey-Ferguson's products have been sold in France for the past three-quarters of a century, with sales rising to \$93 million in 1965. In recent years the company has sold more than one fifth of all tractors, one quarter of all combines and a large share of agricultural implements purchased by French farmers. At the same time, MF has ranked as the leading French exporter of farm tractors and has accounted for two thirds of all French agricultural machine exports.

